

**AITKEN UNDER ARREST**  
Ex-minister faces police in latest twist to libel fiasco

NEWS, SECTION 2

**SPECIAL 40-PAGE, TWO SECTION PAPER**  
**SECTION ONE:** All you need to know about the Budget, including commentary by Andrew Marr, David Aaronovitch, and Hamish McRae  
**SECTION TWO:** News, sport, features and fashion. Plus The Eye

**SEXGATE: THE WHITEHOUSE FIGHTS BACK**  
Americans turn against Clinton

NEWS, SECTION 2

# THE INDEPENDENT

BUDGET SPECIAL



Wednesday 18 March 1998 45p (IR50p) No 3,561

## Brown puts families and children first

■ Record rise in child benefit ■ Measures to make work pay ■ Caution sparks interest rate fears

By Anthony Bevins  
and Diane Coyle

GORDON BROWN yesterday offered cash help for families to give their children "the best start in life" in a cautiously balanced Budget designed to bolster fairness and enterprise.

The Chancellor of the Exchequer announced a package of help for young and poorer families which included a record bonus of £250 extra on child benefit for the first child from next April, and from next November another £250 for under-11s with parents on income support and family credit.

Summing up the surprise "Kids R Us" element of his package, Mr Brown said: "Giving the child the best start in life takes more than money, but it cannot be done without money."

It was a less austere Budget than many had expected from the Iron Chancellor, tanning fears of Bank of England will increase interest rates. Higher interest rates can be ruled out following Mr Brown's announcements, damping

relief that the Chancellor did not chip away any further at tax relief on mortgage interest payments.

Although the Budget will cut taxes from business through speeding up payments of corporation tax, and drivers, through higher fuel duties, it distributes almost all the gain to working families on low pay.

The Treasury calculated that 5.5 million households with children would get increases in disposable income, with an average £250 a year. The poorest fifth of households with children – with 3.8 million children – would gain an average £500.

Introducing his second Budget, in which he offered a guaranteed family income of at least £180 a week through reform of the tax and benefits system, Mr Brown said: "By rewarding work at every level, everyone, and not just one section of society, benefits."

The Budget promised to target action against the poverty trap, and to create rewards for work for people moving off benefit and into jobs – along with a £1.2bn cut in National Insurance contributions next year, worth £65 a year.

Tax and benefits reform would be delivered through a working families tax credit, which will replace family credit from October next year, and will be payable through pay packets from April 2000.

One Labour Party spokesman said last night that Margaret Thatcher had falsely promised a "trickle down" of



Marching in and out: The Chancellor, Gordon Brown, standing outside No 11 Downing Street yesterday

Photograph: David Rose

wealth in the 1980s; the Labour government was offering a leg-up, "ladder of opportunity for all".

That theme was well-received across the Commons, including private backing from some senior Tories. But William Hague told the House: "This Budget sends a clear message to the families that work hard and save hard: the Government is not on your side. It is a step by step betrayal of Britain."

The Chancellor also used a £1.5bn under-spend in this year's finances to provide another £500m for the NHS, £250m for schools and £175m for transport – including more investment in public transport and a £50m annual fund for rural transport.

However, Paddy Ashdown, the Liberal Democrat leader, said the Chancellor's increased inflation forecast, up from 2.75 per cent to 3 per cent, meant an effective cut of £750m in public spending. "canceling out today's new money for education and health".

Mr Brown also promised help for museums to avert the threat of entrance charges, and as part of his enterprise package he pledged a cut of 1 per cent in corporation tax from April next year, down to 30p in the pound.

"This will be a Budget that demonstrates that a modern government with new ambition for Britain can advance both enterprise and fairness and can advance them together," he said.

Announcing the increase in child benefit, Mr Brown said: "I believe that child benefit remains the fairest, the most efficient and most cost-effective way of recognising the extra costs and responsibilities borne by all parents."

But he did warn that the move would be accompanied by a reduction in married couple's allowance, from 15 per cent to 10 per cent from April next year, and he told MPs that although more could and should be done to improve the benefit "in future years", there would be a case for higher rates for taxpayers paying tax on it.

While some of Mr Brown's critics have been urging higher spending, the financial and business community had hoped he would take much more money out of the economy in order to take the pressure off interest rates. In fact, he will have put more money into most people's pockets when the changes take effect next year.

Although the Chancellor said yesterday he recognised that the strong pound was making life difficult for exporters, he has ruled out trying to fine tune the economy with tax and spending policy. The Treasury also pointed out that the combination of tax rises announced in July and tight spending control already added up to significantly tougher fiscal policy, equivalent to about 2 per cent on interest rates.

Even so, the fear that the cost of borrowing will still have to rise to keep inflation on track took the pound higher on the foreign exchanges yesterday. So while the Confederation of British Industry gave the Budget a broad welcome, Graham Mackenzie, director general of the Engineering Employers' Federation, said: "The key issue for engineering and manufacturing remains the exchange rate."

The financial markets were disappointed that the future outlook for government borrowing published by the Treasury was little changed despite a big improvement in the position since May.

"It leaves the pound at the mercy of the markets and puts the Bank's Monetary Policy Committee under a lot of pressure," warned Roger Boot, chief economist at HSBC Markets, a City investment bank.

The pound aside, most businesses were pleased about the specific measures announced yesterday. Ian Peters of the British Chambers of Commerce described it as "a valuable Budget for enterprise and employment".

The British Retail Consortium welcomed the measures to improve rewards for the low paid and boost childcare.

### WHAT OUR COMMENTATORS SAY

Andrew Marr

"IT WAS drab, in the best possible way – all very Scottish and moral, in a 19th-century fashion... But the best news for middle and higher income voters was that the spurious leaks suggesting the abolition of mortgage interest tax relief, or a crackdown on company cars, or the taxation of child benefit this year, simply never materialized. This will anger the left, and some economists, and all environmentalists; but we can think of it too as Uncle Tony's little present to the *Independent*."

Donald MacIntyre

"The Labour Party played well among

most of Brown's party colleagues. Opportunity, aspiration, ambition, enterprise: they are all Labour words now. And the party recognised it."

David Aaronovitch

"FATHER Brown's words were thrilling, like arrows."

Hamish McRae

"MR BROWN'S second Budget is like a meal at a Chinese restaurant. Hundreds of items, all neatly numbered but all tasting pretty much the same. There is no big idea here. There are lots of useful small ideas. A few million spent here, a few million saved there."

### FOR TODAY'S OTHER NEWS, SEE SECTION 2

Israel fury at Cook

BRITISH aspirations to mediate between Israel and the Palestinians disintegrated last night when Israeli Prime Minister, Benjamin Netanyahu, cancelled a working dinner with the Foreign Secretary, Robin Cook. He was protesting at what the Israelis saw as a breach of faith when Mr Cook crossed a checkpoint near the contentious Har Homa building site in East Jerusalem and exchanged words with a local Palestinian MP, Salah Ta'ani. Page 7

Freemason defence

JUDGES should be able to keep their membership of the Freemasons a secret, Lord Bingham, the Lord Chief Justice, said yesterday. Page 2

Doctor before GMC

THE DOCTOR who supervised an operation on a six-year-old girl who died at Great Ormond Street Hospital, London, did not have the parents' consent, the General Medical Council was told yesterday. Page 3

Clinton peace vow

PRESIDENT CLINTON has confirmed his commitment to peace in Northern Ireland, pledging himself to a 30-hour marathon effort to try to close as many gaps as he can in the peace process. Page 3

Life after zero

THE POLICEMAN who spread the idea of zero tolerance in Britain now spends his days playing snooker, suspended from duty. Page 6

Abductions rise

THE NUMBER of children being abducted by a parent following a divorce has increased by 58 per cent since 1995, but one of the few organisations that offers help in Europe faces closure. Page 5

### AT A GLANCE

#### NATIONAL INSURANCE CUT

In 1999 employees paying NI contributions will get a cut of £66 a year. No NI contribution to be paid on first £81 of earnings each week.

#### HELP FOR WORKING FAMILIES

Tax and benefit reform aimed at encouraging families into work. Families with someone working full-time have a guaranteed income of at least £180 a week.

#### CHILD BENEFIT RAISED

Child benefit to remain universal and to be paid directly to mother. From next April £2.50 a week rise in child benefit for the first child in addition to inflation increases. Child Premium for under-11s on Income Support and Family Credit to be increased by £2.50 a week from November.

#### CORPORATION TAX DOWN

Main corporation tax cut by 1 per cent to 30 per cent. Small companies corporation tax down 1 per cent to 20 per cent.

#### BENEFITS EXTENDED FOR CARERS

The tax allowance available previously only to men with incapacitated wives now to be applied to women with children and an incapacitated husband. Backdated to April 1997.

#### PENNY ON A PINT, 21P ON CIGARETTES

From 1 January 1999 the cost of a pint of beer goes up by 1p and a bottle of wine by 4p; extra 21p on a pack of 20 cigarettes from 1 December; 12p on a 25g pack of pipe tobacco.

#### PETROL UP 4.4P

Unleaded petrol to rise by 4.4p per litre, leaded up by 4.9p per litre and diesel to rise by 5.5p. Vehicle excise duty frozen.

#### STAMP DUTY RAISED

Stamp Duty to rise by 2 per cent on houses over £250,000 and 3 per cent on property over £500,000. No further cuts in mortgage interest tax relief.

#### INFLATION ON TARGET

Inflation forecast to peak at 3 per cent this year and hit 2.5 per cent target in 1999. Borrowing expected to be £5bn; forecast for balanced budget by 2000.

We would like to thank Kidson's Impey for their assistance in the production of the tax tables and other graphical information contained in this issue.

## 5 facts about lord irvine

1 as lord high chancellor of great britain, he earns £142,508 a year, £40,000 more than the prime minister

2 the recent renovations to his official apartments cost £650,000, of which £3,000 was spent on a private oak-seated toilet

3 he was brought up in an inverness council house where he had to share a bathroom with three other families

4 he is married to the former wife of scottish secretary, donald dewar

5 both tony and cherie blair are former pupils of lord irvine

weeknights at 7pm on 5

PEOPLE

LIFE

NEWS





## DUAL-INCOME FAMILY

Stephen Paul, 37, Janet Meadowcroft, 30, from Bath. Mr Paul has just started his own business and Miss Meadowcroft works in publishing.



Photograph: Chris Jones

CHILD  
BENEFIT  
Married  
couples  
will pay  
for rise

WITH mortgages on a house in London and flat in Bath the main outgoings for Mr Paul and Miss Meadowcroft are their monthly repayments of £1,000. These are unlikely to change after the Budget, with no alterations to mortgage interest relief (Mirs).

Even though there were few measures to benefit Mr Paul in the Budget he said he was pleased at the help for low-paid families.

He said: "Even though we don't have a family we hope to have one. We may not be in the low income bracket but I know it is incredibly hard to bring up children. The measures in the Budget are probably not enough for many families and I hope it is not just a token gesture. I will be looking

to the Government to back up what they have announced, I hope it is not just a PR opportunity."

Mr Paul has just set up his own business, which produces art prints and posters, so any legislation which affects small business is crucial. The drop in the small business rate of corporation tax was welcomed by Mr Paul but he was disappointed that the Chancellor had offered no assurances to exporters.

"At the moment I am trying to export to the US but I am struggling because my prices are not particularly competitive."

"It is not very helpful to me but I suppose it means that one has to be more innovative to be

competitive, and that in itself is not necessarily a bad thing."

Before the Budget Mr Paul was worried about resources for public transport so he welcomed the Chancellor's £500m investment. "Any increase in running a car would affect us. Janet and I do about 12,000 miles a year for work and pleasure. At the same time, Bath is a lovely town being killed by traffic. It is in a deep valley and on hot days the pollution is significant so anything the Government can do to invest in public transport and pedestrianisation is a welcome improvement."

Michael Greenwood

Looking forward  
for the future  
Those initial steps  
your beliefs and  
children  
Thinking about  
what tomorrow

BUDGET  
BITE

## THE BUDGET AND YOU 3

## NEW INCOME TAX RATES

Biggest NI reform  
for a generation

By Andrew Verity

THE Chancellor yesterday handed out an unexpected tax break for 20 million employees as part of the biggest overhaul of National Insurance in a generation.

From April next year, no NI contributions will be payable on the first £81 of weekly income - meaning a saving of £1.28 a week for every employee.

The reform is part of a package of measures which will also encourage employers to hire more low-paid workers and will cost the Exchequer £1.8bn a year from next April.

However, the Chancellor also announced a radical change to employers' NI contributions which will lead to a big increase in the cost of employing higher-paid workers.

The changes are in line with recommendations from a report, published yesterday, of a comprehensive Tax and Benefit Review spearheaded by Martin Taylor, chief executive of Barclays Bank. It is also the first attempt in two decades to shift the tax burden from the lower to the higher-paid.

Under the reform, the Chancellor is abolishing the "entry fee" in the National Insurance system which requires employees to pay 2 per cent on all their earnings when their wages rise above the lower earnings limit of £64 a week.

Currently, when pay is just above the £64 limit, employees pay the 2 per cent rate on their en-

tiere earnings, rather than just the excess over £64.

The entry fee has been heavily criticised for imposing marginal rates of tax of more than 100 per cent on lower-paid employees who earn just over the threshold. Employees earning £64 - rather than £63 - were hit with tax of £1.28 on the extra £1.

The reform effectively makes the lower earnings limit for NICs identical to the personal allowance used for income tax, where tax is paid only on income over and above £4,045.

Under the change in employers' contributions, nothing is payable on wages up to £81 a week.

Above that level all employers' NICs will be levied at 12.2 per cent. The change will lift the tax burden for small employers who pay low wages. But the CBI fears it will sharply boost the cost of employing anyone who earns more than £440 a week.

Whereas it will cost the same or less to employ someone earning less than £22,900, the measure will add 2.2 per cent to the cost of paying wages above this level.

Under the current rules, a senior executive paid £100,000 would cost less than £9,500 in employers' NICs. In the new regime the employer would pay £11,700 in NICs.

Again, the system of employers' national insurance has been slated for encouraging companies to pay less than the lower earnings limit of £64 to part-time employees.

Government statistics show that employers "bunch" workers at pay below £64 a week in order to pay less NICs. The Chancellor hopes the reform, which will cost £1.8bn a year, will eliminate that effect.

The Confederation of British Industry yesterday welcomed the changes as giving a helping hand to smaller companies.

But it said higher-paid employees will find it tougher to get pay rises as employers absorbed the extra burden.

A spokesman said: "Companies will be worse off in respect of all employees who earn more than £440. Initially [the 12.2-per-cent rate] will only impact on employers. But ultimately, as with most tax increases, where the tax falls will depend on the employer. Employers will be more reluctant to give pay rises if they are paying extra."

In a separate development, Mr Brown cut tax breaks given to married couples in what he described as a means of funding a 20-per-cent increase in child benefit.

As well as getting full relief from income tax on the first £4,045 that each partner earns, married couples also get relief at 15 per cent on the next £1,830 of earnings. From April, this relief will now be cut to 10 per cent.

All other income-tax allowances are being raised in line with inflation from April this year.

Tax and Benefits Review, page 16  
Income-tax tables, page 20

## BUDGET BITE

Tax  
to mug or steal from someone, leaving them with a proportion of their money. A miscreants' jargon term for partial robbery. (The Dictionary of Contemporary Slang, 1997)

Carers p4





## 6 THE BUDGET AND YOU

### CLAMPDOWN ON TAX LOOPHOLES

# Offshore trusts targeted in plan to recoup £1.5bn

By Nigel Cope  
City Correspondent

THE CHANCELLOR carried out his pledge to crack down on tax avoidance with wide-ranging plans to close tax loopholes, including offshore trusts. However, tax experts immediately accused him of "overkill".

The Government's aim is to save £1.5bn in lost tax over the next three years. A consultative document on tax avoidance will be published next month with the aim of introducing a general anti-avoidance rule.

The move follows Gordon Brown's earlier pledge to clampdown on "shadowy men in many places", a reference to advisers who set up tax efficient trusts in tax havens in places like Jersey, Guernsey and the Cayman Islands.

The clampdown on offshore trusts alone is expected to yield £50m a year. The Chancellor said he wanted to create a "fairer, more comprehensive and more effective regime" for people setting up trusts. Geoffrey Robinson, the Paymaster General, was a high profile beneficiary of offshore trusts leading to criticism of him in the House of Commons.

Paul Wapshot, a tax partner at the accountants Price Waterhouse, said the squeeze on the tax avoidance tactics of wealthy individuals and their advisers was not a surprise. "This was expected and the Government had made continual references to this. They wanted to stamp out the so-called 'unacceptable face of tax avoidance'."

David Kilshaw, tax expert at KPMG, said the Chancellor had "gone into overkill" on trusts. Accountants insist the number of people involved in these schemes is far smaller than Mr Brown appears to believe. "He is squeezing (certain

wealthy) people until their pips squeak," he said.

There are several changes to the tax treatment of offshore trusts. One brings the tax treatment of trusts set up before 1991 into line with those set up subsequently. From April next year, the gains made from these trusts will be subject to tax if the person who sets it up, their spouse or children can benefit.

The ruling will apply to asset disposals on or after 6 April 1999. This will enable people affected to re-organise their affairs. However, accountants said the deadline would "force people to realise their gains". If the trust held a company or a stake in a company they would be unlikely to wish to liquidate the trust's interests.

Further changes will affect those who set up trusts for grandchildren, and beneficiaries of trusts set up by individuals who are not domiciled or resident in the UK.

The Inland Revenue had already moved 10 days ago to stamp out one avoidance technique involving offshore trusts after tax advisers started marketing avoidance techniques in the run-up to the Budget.

The use of "temporary non-residence" has also been targeted. Previously individuals or companies have been able to avoid a tax charge by selling assets during a full tax year they spent resident abroad. Now those gains will be subject to capital gains if the period spent abroad is less than five years.

Mr Kilshaw said he was disappointed that offshore trusts set up before 1991 will now be subject to tax on a rising basis. He said people had made arrangements under one tax regime only "to have the goalposts moved". He said some of these trusts would include companies that would house sub-

stantial wealth.

Other anti-avoidance measures include:

- A move to stamp out attempts by employers to avoid the payment of national insurance contributions and PAYE when paying bonuses and other payments to staff in assets that can then be turned into cash. Such schemes have involved payment in bay, trade debts and interests in offshore trusts. Previous methods, long since stamped out, have included banks paying City workers in gold bars or coffee beans.
- New measures to stop some companies from trying to avoid the effects of the planned phasing out of income tax on profit related pay schemes. This relief will stop after 2000.

- Substantial changes to the tax treatment of foreign earnings to counter exploitation. The Inland Revenue said the end of the "general foreign earnings deduction" would yield around £250m a year. This had previously enabled some UK residents to receive millions of pounds of income without it being taxed either in the UK or any other country. Beneficiaries have typically included rock stars who might spend a year on tour overseas and pay no tax.

Tax avoiders and their advisers have been braced for a crackdown since Mr Brown signalled his intention to "get tough" on the issue in his first Budget last July.

Whilst the previous government took a piecemeal approach to closing tax loopholes, the new Chancellor initiated a wide-ranging review of the various "scams" as a prelude to anti-avoidance legislation.

A recent paper by Martin Bridges, of the accountants Deloitte & Touche, put the sum lost to the Treasury through tax avoidance at £55bn a year.



£12m man: A row over Geoffrey Robinson's trust encouraged a crackdown on tax avoidance. Photograph: David Rose

THE INDEPENDENT  
WEDNESDAY 18 MARCH 1998

### PROFILE

## Fiasco that left a minister red-faced

By Kathy Marks

THE Chancellor's crackdown on tax avoidance follows the revelation that one of his Treasury ministers, Geoffrey Robinson, was a beneficiary of a £1.275m offshore trust.

The existence of the Guernsey-based Orion Trust, which was revealed by the *Independent on Sunday* newspaper, has proved a source of intense embarrassment for the Government. Labour campaigned vigorously against such tax loopholes while in opposition, and Gordon Brown's first Budget last July promised "vigorous pursuit" of tax avoidance.

Mr Robinson, the Paymaster-General and a close friend of Tony Blair, has strenuously denied any wrongdoing in his private financial affairs and insists that he has abided by all the rules governing ministerial conduct and potential conflicts of interest. However, he was criticised in January by Sir Gordon Downey, the parliamentary standards commissioner, and the Commons Standards and Privileges Committee. They cleared him of breaking any rules of the House but said that he should have declared the trust in the Register of Members' Interests.

There has been speculation that Mr Robinson, who is responsible for corporate tax affairs at the Treasury, may be moved from his post in a reshuffle.

The Government has been subjected to continuing pressure from the Conservatives over the Orion Trust, which was set up for Mr Robinson's family by Joska Bourgeois, a millionaire and long-standing friend who died in 1994. The minister's solicitors have said that the trust operates entirely independently of him. However, he has admitted suggesting to the trustees that they buy £10m of shares in TransTec, the engineering firm that he founded.

Mr Robinson, a millionaire businessman, who owns a Tuscan villa where Mr Blair's family has spent holidays, was part of a Treasury team that reviewed ways of tackling tax avoidance. He withdrew from the project after the newspaper disclosures.

### CAPITAL GAINS TAX

## Radical changes encourage longer-term investment

By Clifford German

**SWEEPING** reforms in Capital Gains Tax were unveiled which will encourage longer-term investment by the owners of businesses, but which will penalise those investing only for the short-term.

Under plans to taper the way the tax bites, the chargeable gain for business assets falls from the full rate for assets held less than two years to a quarter of the full rate for those held for 10 years or more.

Meanwhile, the annual amount of capital gains which can be taken free of tax will go up in line with inflation from £6,500 to £6,800 in the next tax year. But the current system of indexation has been frozen from 5 April.

The rate payable on non-business assets (such as shares, property and collectables) will be reduced progressively from the individual's marginal income tax rate (40 per cent top rate, a basic rate of 22 per cent)

on all taxable gains. In practice it means that top rate taxpayers will pay 40 per cent and basic rate taxpayers 23 per cent on assets held for less than two complete years from 5 April, then reducing at 2 per cent a year for top rate taxpayers to a final rate of 24 per cent after 10 years. The rate for basic rate taxpayers will reduce to 21.85 per cent in the first two complete years, then by 1.15 per cent a year to a minimum rate of 13.8 per cent on taxable gains realised after 10 years.

The complex system of indexation gains in line with the rate of inflation over the period the assets were owned has however been frozen from the end of the current tax year, which means it will cease to protect all assets bought and sold after 5 April. It will remain in place for assets acquired before that date, but only up to that point, so that the protection will be progressively diluted over the next few years.

For new assets the point

where the taper will compensate for the loss of indexation will depend on asset growth and inflation. For example, with real asset growth of 6 per cent and inflation of 2.5 per cent a similar liability will arise if non-business assets have been held for seven years.

The rate of capital gains tax on business assets will be allowed to taper down from 40 per cent to 10 per cent over 10 years, from 23 to 5.75 per cent for basic rate taxpayers.

The new system is seen as fairer but not necessarily simpler. David Holland, managing director of independent financial advisers RK Harrison, said:

"The abolition of indexation on gains from 1998 will progressively reduce the protection against inflation even on assets that have been held for some years, and the tapering period over 10 years is both longer and the tapered reductions end at a higher rate than many people hoped."

The reduced rates of tax on

longer-term gains could benefit higher rate taxpayers but basic and lower rate income tax payers with large capital gains could be worse off, according to Mike Abraham, director of Shepherd (Endowments), a provider of tailor-made investment packages.

All advisers were quick to welcome the doubling of the tax-exempt gains available to trustees of the assets of disabled people, which were limited to half the standard annual allowance in the past but will in future be brought into line with ordinary assets.

The Chancellor has also abolished the long-standing practice of bed and breakfast deals, which allowed investors to sell assets and immediately buy them back to establish a higher purchase price for future disposals. With effect from 6pm last night investors will have to wait 30 days after selling assets before they can be bought back to establish a new base for future gains.

### INHERITANCE TAX

## Brown leaves an extra £8,000 to the wealthy

THE Chancellor's decision to leave inheritance tax largely unchanged sent a wave of relief through the ranks of wealthy investors, writes Clifford German. Gordon Brown did even more than they might have hoped and increased the tax-free allowance in line with inflation from £215,000 in the current year to £223,000 in 1998-99.

Inheritance tax is currently charged at 40 per cent. It had been widely forecast that he would reduce the tax-free allowance and abolish "potentially exempt transfers" which made assets given away more than three years before the owner

dies subject to a reduced rate and assets disposed of more than seven years before death to escape tax altogether.

Lifetime gifts of up to £3,000 a year will remain outside the scope of IHT, and transfers of assets between husbands and wives are also unaffected. Spouses will still be able to transfer unlimited assets to

each other in life. The first spouse to die can bequeath all assets to the surviving spouse without incurring a tax liability, although the first spouse's tax-free allowance is wasted if they do so.

The starting point for inheritance tax has risen three times faster than the rate of inflation over the past 10 years

and the previous government had hinted that it would be abolished. Only 17,500 estates are expected to pay IHT in 1998-99, an increase of about 1,000 on last year and less than 3 per cent of all death estates, according to the Inland Revenue. The yield from the tax is however expected to rise from around £1.6bn in the current year to £1.9bn in the coming year.

The public will also have to be allowed greater access to estates claiming exemption to IHT as heritage assets because they include buildings of outstanding historic or architectural interest or land of scenic, historic or scientific interest.

### BUDGET BITE

In 1994 an analysis of President Clinton's tax returns revealed that he generally deducted between \$3 and \$4 for each set of used underwear he donated to charity.

**SUPER**  
120MB **DISK**



83 times more room on the same size disk you're using now. SuperDisk™ is the new standard for high capacity diskettes. At 120MB - 83 times that of a standard 3.5" diskette - it isn't just a disk, it's a virtual warehouse. If that wasn't enough SuperDisk and current 3.5" diskettes can be used in the same SuperDisk drive. It's that easy, you have the choice. The new parallel port drive from Imation is just one of many SuperDisk drive versions which will include SCSI, PCMCIA, ATAPI/IDE and notebook. Ask your PC supplier about SuperDisk drives and make sure you don't stay floppy all your life. See us at <http://www.imation.com> or call one of the stockists below. SuperDisk LS-120. The new diskette standard.

Available from: Action 0800 226 6300, Dudley Stationery Ltd 0181 980 7199, Gulliver Stationery Ltd 01264 244550, Gulliver Office Ltd 0161 406 0420, MCS Global 0181 560 8582, ISA International 01274 204787, Imation 01508 495255, The Little Red Book Co. 01422 260015, Micro 01932 400 000, New Media 0800 500172, Office 0181 847 2151, PC World 0800 464464, States Group 01995 441122, Unilever Office Supplies 0890 331061, XTRA 0115 981 8222, and all branches of Staples Office Supplies.

SuperDisk



# 8 THE BUDGET AND YOU

## EXCISE DUTIES

### 20p more to light up but spirits tax frozen

By Andrew Yates

The price of a packet of 20 cigarettes will pass £3.50 for the first time after the Government kept its pledge to increase tobacco duty at 5 per cent above the rate of inflation. The hike in excise duty from 1 December is equivalent to 21p on a packet of cigarettes. Smokers face a 9p rise in the price of a pack of five small cigars and a 12p increase in a 25g pouch of pipe tobacco.

The Government stunned the beer industry by announcing a 1p-per-pint rise in excise duty from 1 January. The move to increase duty in line with inflation comes despite pleas by brewing and pub groups to slash duties to curb the explosion of illegal imports from the Continent. The Government is planning a crackdown on smuggling - which is estimated to cost the Treasury more than £1bn a year in lost tax revenue - rather than introducing a cut in duty. But the Chancellor did not give any firm details on how he plans to stop smugglers importing billions of pounds worth of contraband into the UK from the Continent where lower excise duty means beer and cigarettes are much cheaper.

The price of a litre of cider will rise 1p, as will alcopops, while fortified wine will go up by 5p a bottle from 1 January. Duty on wine will also rise by 4p a bottle on the same date, but there was better news for the Scotch whisky industry, with duty on spirits frozen.

The tobacco industry was resigned to the prospect of a sharp rise in duty after the Chancellor announced plans to do this in the last Budget and increased the price of packet of 20 cigarettes by 19p last December. But the industry breathed a sigh of relief when it was announced that the increase would not be introduced until the end of the year.

The anti-smoking lobby group Ash said the Government's decision to increase duty would save more than 2,000 lives and reduce cigarette consumption by around 2 billion a year. "The Chancellor has shown the Government's colours on smoking by giving people serious financial reasons



Lager frenzy: the drinks industry says the increase in duty will encourage people to smuggle beer and wine from the Continent. Photograph: Mark

brewers and Calais beer warehouses will be celebrating in style this evening while British publicans and beer lovers pick up the tab. This offers no support for the British beer drinkers or 900,000 jobs supported by the brewing industry," said a spokesman.

Official figures suggest that tobacco smuggling is costing the Treasury £690m a year, but the Tobacco Manufacturers Association claim the true figures are as high as £2bn. Drinks smuggling is also costing the economy more than £500m a year without any real benefit for UK taxpayer."

John McGrath, chief executive of Diageo, the world's largest drinks group said: "We are pleased that the Chancellor has at least recognised the need to reduce the level of tax discrimination against spirits with the duty freeze. However, the Budget increase on beer is a detrimental one for the beer and pub sector and will only serve to increase cross-border smuggling."

The Brewers and Licensed Retailers Association also condemned the move. "This is bad news for thousands of pubs and good news for the beer-smuggler. A rise in beer duty will cost jobs, close businesses, reduce consumer choice and sends a clear signal to criminals that crime really pay."

Camra, the beer consumers lobby group, believes that the rise in duty will mean a 2p rise in prices over the bar when brewers' profits margins are taken into account. "French

Hugh Morison, the association's director-general.

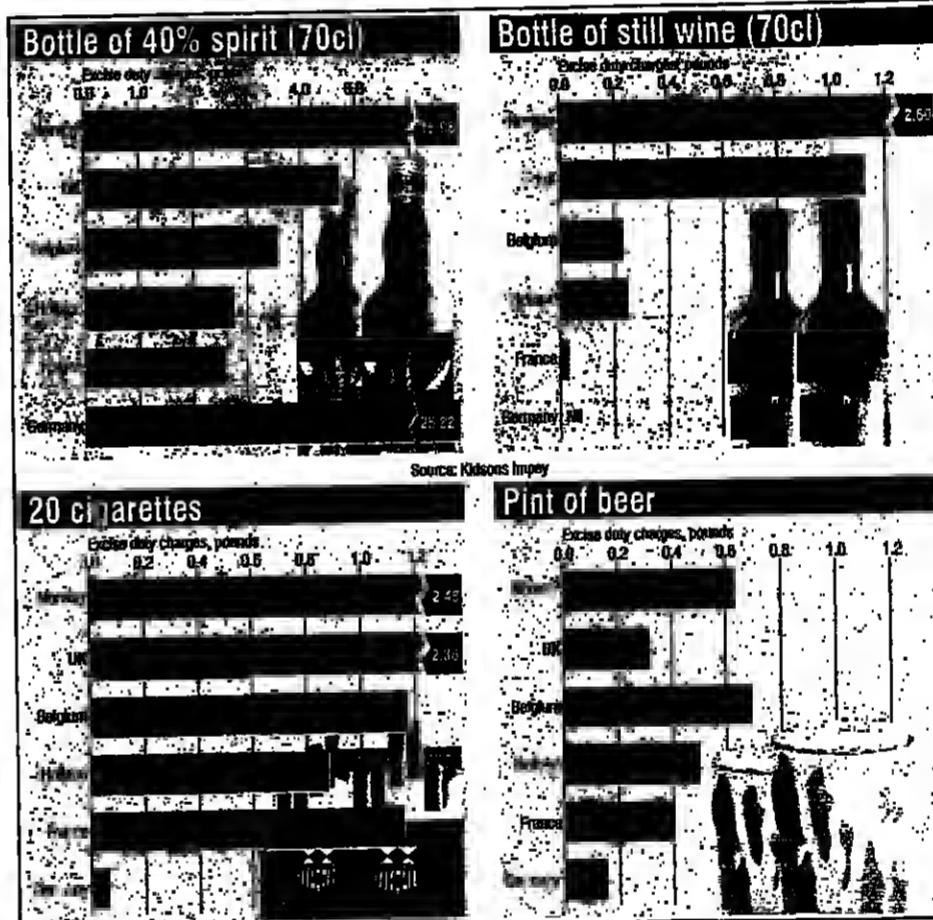
The Government's initiative to curb bootlegging is a response to the massive expansion in illegal imports over the last few years.

However, the news of an increase in beer duty pleased Alcohol Concern. "On health grounds any cut in duty would be damaging," said a spokesman.

"And before brewers and

pubs expect the Chancellor to begin to bail them out, we think they should take lead and trim their own margins. The bulk of disparity in prices between the UK and France does not come from excise duties."

The Scotch Whisky Association urged the Chancellor to continue the process of reducing discrimination against spirits in future Budgets. "The Government has recognised that the higher taxes levied on spirits than on other alcoholic drinks does not pass its own test of fairness. We are delighted that the Chancellor has taken steps to tackle this discrimination," said



## GREEN TAXES

### New move to curb amount of waste going to landfill sites

By Nicholas Schoon  
Environment Correspondent

The price of garbage dumping is to rise drastically - part of a range of eco-tax measures introduced by the Chancellor yesterday.

His most radical green proposal was a special energy tax for industry which could raise billions while cutting climate-changing greenhouse-gas emissions. It is, however, only a gleam in Gordon Brown's eye.

Yesterday's speech continued the pattern set by his Tory predecessor, Ken Clarke - slow, cautious progress in introducing eco-taxes which left environmental groups deeply disappointed after the pre-budget report.

They were none the less delighted with his decision to cut the price of a tax disc on smaller, cleaner cars by 25p, a move which headed a package of green transport tax changes.

From April next year the tax on each tonne of garbage dumped at landfill sites jumps

from £7 to £10 - the first increase since this tax was introduced nearly three years ago. Since it now costs, on average, about £20 a tonne to landfill rubbish - including the tax - this represents a hefty 15-per-cent increase in dumping costs.

The Environmental Services Association, representing the majority of Britain's waste companies, said the increase would be passed on to its customers: the firms and hundreds of councils which collect and dispose of household rubbish. Inevitably this will create pressure for

The Treasury argues that the tax hike will encourage companies to recycle more wastes, or find ways of producing less. But the association said there had already been a noticeable increase in fly-tipping - illegal, roadside waste dumping - since the tax came in. This was bound to get worse unless there was stronger enforcement by the Government's underfunded Environment Agency.

They were none the less delighted with his decision to cut the price of a tax disc on smaller, cleaner cars by 25p, a move which headed a package of green transport tax changes.

From April next year the tax on each tonne of garbage dumped at landfill sites jumps

THE INDEPENDENT  
WEDNESDAY 18 MARCH 1998

## GAMBLING

### Casinos and fruit machines forced to pay up

By Andrew Yates

THE Chancellor shocked the gambling industry yesterday by introducing tax increases designed to raise an extra £45m a year.

The changes are a bitter blow to Britain's casino owners who will have to pay more tax on the billions of pounds that are staked by their customers every year.

In a surprise move, the Government plans to increase the top rate of gaming duty, which is paid by casinos on the gross profit they get from gambling, from 33 to 40 per cent. This will take effect from April.

The casino industry currently makes a gross profit of more than £450m a year from gambling and pays in excess of £80m in gaming duty.

The Government's move is forecast to increase the tax burden for the 116 casinos around the country by £20m in the first year, rising to £25m the year after.

The country's largest casinos, including London's 21 casinos which currently pay 80 per cent of the gaming duty handed to the Government, will suffer most from the tax hike.

"One-arm bandit" machines are also to become more expensive to operate, leaving amusement arcades facing the prospect of a much higher tax bill. The cost of a 12-month licence for amusement machines that offer prizes of up to £8 will increase from £535 to £645.

The price of a 12-month licence for slot machines offering a larger jackpot will also be increased from £1,375 to £1,815.

The rise will come into effect immediately and raise £20m a year by 1999/2000. However, pinball tables, video games and quiz machines will not be affected by the new tax rules.

The Government's hike in gaming duty follows moves to deregulate the industry including recent measures to increase the maximum payout for a jackpot machine to £250 and a new type of slot machine paying out up to £10 which has been permitted in bingo halls and betting shops.

These initiatives have led to a sharp rise in profits across the sector. However, the Government announced no new moves to deregulate the industry further.



Rich pickings: Tax on a tonne of garbage dumped at landfill sites will jump from £7 to £10. Photograph: Brian Harris



## BUDGET BITE

On the subject of a tobacco tax, Napoleon III said: "This vice brings in 100 million francs a year. I will certainly forbid it at once - as soon as you can name a virtue that brings in as much revenue."

الدليل على الضرائب

VIAABLE

Casino  
and  
machines  
forced  
pay up

## TRANSPORT

## Petrol duty puts the brake on gas guzzlers

By Randeep Ramesh,  
Transport Correspondent

**MOTORISTS** felt the cold slap of government policy yesterday as the Chancellor introduced taxes which saw the price of a gallon of petrol breach the £3 barrier while delivering a £500m boost for public transport.

Experts say that the Budget will cost the average motorist £58.81 a year in additional taxes – a figure which rises to £108.81 a year if the penal measures introduced in last year's mini-Budget are included.

But those motorists who drive the "cleanest and smallest" cars will see the cost of their tax rise drop by one-third to £100. At present motorists pay £150 a year for all cars – whether a Mini or a Rolls-Royce.

A graduated scheme would bring the United Kingdom in line with countries in Europe such as Italy and Germany. Although the final system is likely to be announced after a government review, ministers are known to have expressed an interest in the French system.

Across the Channel, the excise tax for motorists who drive a 1,200cc car is one-third of a price of a 2,000cc model.

What will annoy drivers most is the 6 per cent above-inflation rise in the cost of petrol. This will add 5.2p to every litre of unleaded petrol purchased. According to motoring organisations, this will see the average optional price of a gallon of petrol increase to £3.02.

David Worsley, the Royal Automobile Club's director of public affairs, said: "This is a Budget that could put motoring beyond the budget of many poorer drivers – such as women driving second cars and the disabled. For these people having a car is a necessity, yet petrol is taxed like a luxury."

Industry also faces a bill of more than £500m thanks to the



**Paying the price:** Senior executives with large company cars, will see the cost of motoring rise by £150 a year

Photograph: Philip Meech

Government's diesel price hike. Gordon Brown tried to distance the Government from being described as "anti-car" by complaining that oil prices worldwide had dropped by 25 per cent but oil companies had to pass on the savings to the consumer.

Politicians have a good deal to worry about when tackling car use. The owners of the 24 million cars on Britain's roads contribute more than £19bn in taxes – yet only £6bn is spent on transport. A recent survey for the Automobile Association showed that 55 per cent of drivers "will vote against politicians who try to price them off the road".

Sensitive to accusations that the fuel increases hit people living in the country hard, Mr Brown also announced a £50m

drivers face the full cost of the fuel they use for private motoring."

Taking the company car is a lucrative business. Mr Brown estimates that by 2001 the changes will yield the public purse more than £500m.

Company cars will also be penalised. The Chancellor intends to discourage "free fuel" to staff with a company car by increasing the tax paid on the petrol used. The executive with a two-litre company Mercedes will find the cost of motoring rise by nearly £150 a year.

A Treasury statement said ministers want to "discourage employers from providing and employees from accepting free fuel so that more company car

a year rural transport fund". The Chancellor claimed that "three-quarters of rural parishes and communities have no bus services".

Treasury press release

stated that most of the new money would be used to provide "up to 160 million additional bus kilometres nation-wide".

The Chancellor also said that ministers aim "to extend the

range of transport services throughout the country".

In order to meet this objective, he committed the Treasury to an extra £500m over three years for public transport. However, experts say most of the extra cash will be eaten up by the crumbling Tube in London.

Motoring organisations and environmentalists were united in condemning the amount of extra

money set aside for public transport. "It is not enough," said Roger Higman of Friends of the Earth. The RAC described the three-year cash boost of £500m as "a drop in the ocean".

Green campaigners said many of proposals for discouraging car use were simply "too small to make a difference". Measures such as providing tax relief on converting company cars to gaseous fuel were, according to FoE, "tinkering at the edges".

However, Mr Higman welcomed the apparent "use of higher fuel duties to fund public transport".

The AA also questioned the effect of raising the cost of motoring. The driving lobby says that in 1974, 50 per cent of car costs went to the Treasury. Now 80 per cent of the cost of motoring is funnelled to the Treasury.

This is unlikely to influence ministers. They argue that since the Seveve the cost of owning and using a car has dropped relative to the growth of disposable income while rail fares, for example, have raced ahead.

## VAT

## Moves to protect £1.5bn from artificial avoidance schemes

By Roger Trapp

**CUSTOMS & EXCISE** has announced a package of changes that it claims will protect more than £1.5bn of VAT revenue a year from "artificial avoidance schemes".

Customs has identified three particular sorts of scheme for an initial attack, although tax experts doubt that the moves outlined will have such a significant effect since they are "quite low-key and small-scale".

The first is the misuse by commercial sports clubs of the exemption for non-profit making organisations to avoid charging VAT to users of their facilities. This situation – which is created by a club transforming itself into a co-operative, making organisation through taking out excessive costs – has been around for some time as a result of vaguely worded legislation.

The second arises from traders in second-hand goods, such as cars, exploiting the interaction between the relief available for the transfer of a going concern (that is, the car) and other

reliefs in order to reduce VAT exposure.

The third concerns United Kingdom non-business organisations, such as National Health Service hospitals and universities, taking advantage of the relief available when businesses outside the European Union let goods on hire to UK customers who are not businesses. This is deemed to have been an abuse since it was envisaged that the non-businesses were individual customers rather than organisations that are not businesses by reason of a technicality. In outlawing such schemes, Customs is following the lead of the NHS Executive, which has already cracked down on hospitals avoiding tax in this way.

Meanwhile, banks and other financial institutions that enjoy partial exemption from VAT face having to reorganise themselves if a consultation exercise on grouping of companies announced as part of a further crackdown on tax avoidance leads to legislation.

At present, such organisations are allowed to "group" controlled companies resident in the

UK in order to prevent the manufacture of VAT on inter-company charges on the grounds that their partially exempt status would enable them to recover only part of the amount paid.

But if the consultation process is followed by fresh measures designed to improve the yield from the indirect tax, banks will have to reorganise themselves, said Peter Jenkins, a partner with accountants Ernst & Young.

Customs has also announced that it will be consulting business on general anti-avoidance rules covering defined areas of VAT in parallel with the Inland Revenue's consultation of similar measures for direct taxes. It plans to publish illustrative clauses in the summer.

The fact that the Government is looking at specific areas of VAT indicates that Customs has concluded that it cannot consider a wide-ranging general anti-avoidance rule like that contemplated by the Inland Revenue, say tax experts. Mr Jenkins pointed out that the issue was made difficult because VAT is governed by European rules.

## Oil price slump forces rethink on tax system

THE Government last night stepped back from imposing an immediate toughening up of the North Sea tax regime in the face of plummeting oil prices, writes Terry Macalister.

But Chancellor Gordon Brown said a consultative document would be published mid-April with the aim of legislation in the next Finance Bill, he said.

Some oil industry officials privately expressed concern that a new period of uncertainty had opened up. But John Brown, chief executive of BP, described the Government's decision as "very sensible". The Government also announced relief for BP by reducing the levy it pays on North Sea gas sales by 25 per cent, from four to three pence a therm for the 1997/1998 year. The levy will end completely on 1 April.

## Travelling at a premium

## VAT threshold raised

**INSURANCE** Premium Tax is to be levied at 17.5 per cent on all travel insurance, not just policies bought through travel agents or operators as at present. The extra revenue raised will be £5m next year and £15m in 1999-2000.

THE VAT registration threshold is being raised to £50,000 from 1 April. The Government also intends to consult on VAT thresholds and their impact on competition between registered and unregistered firms.

# Dixons

## NEW LOWER PRICES ON THE WIDEST RANGE IN HANDHELD COMPUTERS

You'll be amazed at the new generation of Handheld Computers at Dixons. They take the familiar functions of Desktop PCs to a completely new dimension. Comprehensive organising functions plus word processing, spreadsheets and database, in an ultra-compact design so you can work and play on the move.

TEST DRIVE THEM TODAY  
Ask for a full demonstration in-store.

### PSION SERIES 5 ►

#### 8Mb EPOC 32 HANDHELD COMPUTER

- 8Mb memory.
- Backlit touch-sensitive screen.
- Digital dictaphone.
- Word processor.
- Spreadsheet.
- Sketch. Was £499.99

SAVE £70

6 MONTHS INTEREST FREE OPTION\*

Dixons Deal  
£429.99

NEW LOWER PRICE

### PHILIPS VELO

#### WINDOWS CE HANDHELD COMPUTER

FREE WINDOWS CE VERSION 2.0 UPGRADE. Ask for details.

6 MONTHS INTEREST FREE OPTION\*

Dixons Deal  
£349.99

### HEWLETT PACKARD

#### 320 LX HANDHELD COMPUTER WINDOWS CE

FREE WINDOWS CE VERSION 2.0

• 4Mb RAM. • Full width backlit screen. • Docking station.

• Pocket versions of Microsoft Word, Excel, Internet Explorer and PowerPoint Viewer.

Was £499.99, £449.99

SAVE £70

6 MONTHS INTEREST FREE OPTION\*

Dixons Deal  
£379.99

### TOSHIBA SCOOP

#### LIBRETTO HANDHELD COMPUTER

FREE WINDOWS CE VERSION 2.0

• 4Mb RAM. • Color touch-sensitive screen.

• PC docking station. • Pocket versions of Word, Excel, Internet Explorer and PowerPoint Viewer.

Was £499.99, £449.99

SAVE £70

6 MONTHS INTEREST FREE OPTION\*

SCOOP PRICE  
£799

FIRST FOR NEW TECHNOLOGY

Dixons

INTEREST FREE OPTION

0%

Interest free if repaid in full before with the 6th monthly payment.

£100 deposit.

# Now our ambitions can

These are the edited highlights of the Chancellor's speech yesterday

ONLY ONCE in a generation is the tax system fundamentally reformed. The Budget I bring before the House and country today begins the task of modernising not just taxation but the entire tax and benefits system of our country. We do this to encourage enterprise; to reward work; to support families to advance the ambitions not just of the few but of the many.

For decades, the great economic strengths of our country have been undermined by deep-seated structural weaknesses – instability, under-investment and unemployment. So behind the detailed measures of this Budget is the conviction that we must break for good from the conflicts and dogmas that have held us back and have for too long failed our country. We must build a national economic purpose around new ambitions for Britain.

First, stability. We must break from our history of stop-go and the false trade-offs between inflation and unemployment. The new ambition is long-term economic strength and stability based on an unshakeable commitment in prudent monetary and fiscal rules.

Second, enterprise. Instead of punishing success by high taxation or offering the incentive of low taxation to only a few, the new ambition is a tax system that makes all work pay, that encourages skills and rewards enterprise and entrepreneurship throughout the economy. It is because at this stage of the cycle it is important to err on the side of caution that my Budget will lock in this fiscal tightening for 1998-99.

Third, welfare reform. The new ambition is a modern welfare state that, instead of trapping people in poverty, provides opportunity for all.

And fourth, strong public services. Instead of simply defending unreformed public services, or denigrating them simply for being public, the new ambition is to have modern schools and hospitals where investment and reform go hand in hand.

So this will be a Budget that demonstrates that a modern government with new ambition for Britain can advance both enterprise and fairness and can advance them together. And that, by rewarding work and rewarding work at every level, everyone and not just one section of society benefits: a Budget that advances the ambition of all.

By spring last year, with consumer demand already rising by 5 per cent and the money supply by 11 per cent but industrial production up only 1.5 per cent, the economy was exhibiting the same symptoms of instability from policy errors that produced the boom-bust economy of the late Eighties. To avoid a lurch backwards towards the kind of boom-bust instability that brought interest rates as high as 15 per cent in the late 80s, the Government, and then the Bank of England, took action to ensure stability. And I followed this tightening of monetary policy by putting in place a tough five-year deficit reduction plan.

Last November, I was able to report that I was more optimistic that the economy was on course to get back on track for sustainable growth.

That remains my view. But I also warned that there were risks ahead – on the one hand the effects on the world economy of turbulence in Asian financial markets, and on the other, the domestic risk that an unaffordable rise in wage inflation would lead to higher interest rates and slower growth. These risks remain ...

Similar vigilance is also required at home in the face of inflationary pressures. In the last few months, wage settlements have risen, even in the manufacturing sector where I fully recognise that a strong pound makes life difficult for exporters. Our aim is a stable and competitive pound in the medium term, and I know that exporters agree with me that we must avoid any return to stop-go. It would not be right in sacrificing long-term goals in the face of short-term pressures.

No one should be in any doubt about this Government's and the Bank of England's determination to meet our inflation target. And I can now report that because of the action already taken, inflation, which when we came to power was heading well above our target and towards 4 per cent, is now forecast to peak at 3 per cent this year and be at our target of 2.5 per cent next year. And it is because we have established a sound long-term framework and the expectation of low inflation that long-term interest rates have come down substantially from over 7.5 per cent just before the election to below 6 per cent, the lowest rate for 33 years.

Growth this year and next will depend crucially on what happens to wage inflation over the coming year. It would be the worst of short-termism to pay ourselves more today

## BUDGET BITE

The only Chancellor to have previously worked for the Inland Revenue was James Callaghan.

... and tomorrow we will pay the price.



TOMORROW

■ The loneliness of the stand-up comic  
**THE EYE**

■ Acting gay: the toughest part for Jason Hughes of *This Life*  
**THE EYE**

■ Ian Holm: the anguish of playing King Lear on television  
**THE EYE**

■ Why middle class schools are failing their pupils  
**EDUCATION**

CONTENTS  
News ..... 2-8  
Fashion ..... 9  
Obituaries ..... 11  
Leader & letters ..... 12  
Comment ..... 13  
TV & Radio ..... 14  
The Eye, 11 & 12  
Recycled paper made up 41.4% of the raw material for UK new papers in the first half of 1997.



# 'Government scientists hid the truth about BSE'

By Charles Arthur  
Science Editor

A VOCAL CRITIC of the Government's handling of the BSE crisis accused its scientists yesterday of being more interested in protecting farmers' interests than public health, and of massaging statistics to hide the extent of the disease.

Professor Richard Lacey, of the University of Leeds, also claimed farmers are buying cattle "on a massive scale" in remote areas, because their value is effectively negative.

Giving evidence to the BSE Inquiry in London, he said that it was this practice, rather than

measures taken by the Ministry of Agriculture, Fisheries and Food (Maff), which had led to a rapid fall in recorded cases. "Farmers want their herds declared BSE-free so they can get accreditation and have a chance to export again. Maff is permitting this practice to go on. The compensation per cow [confirmed with BSE] is only about £200."

However, a spokeswoman for Maff rebuffed his claim. "We are entirely satisfied with the procedure that we use to get the [BSE] statistics." Compensation for cows with BSE is 100 per cent of the "market price", currently £546, while that for

cows suspected of having BSE but then found out to have it is £682. Maff pays to have them removed from the farm and disposed of. As for the claims of widespread burial, the spokeswoman said, "We haven't been presented with any evidence."

Professor Lacey, who first

said in the late Eighties that BSE might be transmitted to humans - a claim now known to be correct - said that in meetings with scientists from Maff's Central Veterinary Laboratory he had been told they were worried about the adverse effect of his ideas on the media and the beef industry. "I could understand the Meat and Livestock

Commission or farmers being concerned," he said. "But I would have thought and hoped that the primary responsibility of vets at the ministry was towards public health."

He called for Maff's data-

base on BSE cases to be made public, echoing previous witness who have said that Maff maintained a secretive culture.

Professor Lacey's opinions were not highly regarded by Maff experts. Yet he pointed out that all the preventive measures he had suggested, often many years ago, to stop BSE-infected animals from entering the human food supply have since been implemented. He had ex-

pressed concern about bones

used to make gelatin, and cast

doubt on Maff's early assertions

that BSE-infected cattle could

not pass the disease to their

calves. Such "maternal trans-

mission" is now proven.

He said that a forecast he

made eight years ago to a Par-  
liamentary Committee, that "if the worst" happened, up to 5

per cent of the UK population

could die of BSE-induced dis-

ease, might still be correct.

He now maintains BSE is en-

demic in the UK, kept going by

both maternal and "horizontal"

transmission - in which infected

cattle or pasture pass the dis-

ease agent to uninfected cows.



Arrested development: The disgraced former Tory minister Jonathan Aitken at his home in London yesterday after being questioned for two hours by police investigating an alleged conspiracy to pervert the course of justice. Michael Heseltine was

## Crowd attacks home of suspected paedophile

A crowd of more than a hundred people smashed windows and caused damage after demonstrating outside the home of a suspected paedophile.

Police said eight people were arrested after an "unruly crowd" of 150 people gathered at Dalkeith, near Edinburgh, on Monday night outside the home of a man they believed had been involved in paedophile activities. The man is thought to be Brian May, who was convicted in 1994 at Edinburgh Sheriff Court of eight offences involving boys aged 8 to 11. The indecent acts, involving six boys, took place between August 1989 and December 1992.

The crowd gathered with the aim of "forcibly evicting" him. A police spokeswoman said: "This was completely unwarranted. There is nothing happening between him and the police, he is not being investigated, but local opinion had taken the decision that he has been involved with young boys." Six people appeared in court yesterday charged with alleged vandalism and breach of the peace. Five pleaded not guilty.

— Glenda Cooper

## Shell shock for schoolboy

The Army yesterday warned the public not to touch military debris after a boy found a high-explosive shell on Dartmoor took it home and kept it in his bedroom overnight before taking it into school.

Teenager Andrew Good, from Belgrave, near Plymouth, found the 18lb Second World War shell while training for the Ten Tors challenge this weekend, held each year over the moor. A spokesman for Devon and Cornwall police said that Andrew took the device into John Kite Community College in Plymouth, Devon, on Monday for his art class to draw. Four classrooms were evacuated and a teacher put the device into a bucket of sand and took it into the school garden, where it was collected and made safe by the bomb squad.

## Drink driver was 'lucky'

A drink driver who was jailed for four months yesterday after being caught with an alcohol level eight times over the limit was "lucky to be alive", according to medical experts.

Matthew Roman, of Horsham, West Sussex, registered 276 microgrammes of alcohol in 100 millilitres of breath - the legal limit is 35. The 23-year-old was also given a five-year driving ban. He claimed that he had not drunk any alcohol on the day he was caught but that he had consumed up to four litres of sherry and some strong lager in the two days before.

## Killers jailed for life

Three members of a smash-and-grab gang were yesterday given life sentences for the murder of a jeweller stabbed in a bungled raid.

Gerry Hales, 61, a respected businessman and grandfather, suffered 34 wounds in a frenzied knife attack while trying to defend his High Street shop in Cudworth, South Wales. Mr Justice Moses sentenced Orlando Sir, 28, to 14 years for wounding and 12 years for robbery, to run concurrently with his life term. Two getaway drivers, Dallas Lee, 27, and Charles Frayne, 20, were also convicted at Cardiff Crown Court of the murder and of wounding Joseph Gatt, 28, a passer-by who tried to save Mr Hales' life.

## Study into end of duty free

Glenda Jackson, the transport minister, yesterday backed calls for a study into the impact of abolishing duty-free shopping throughout Europe. She joined a majority of EU ministers meeting in Brussels in demanding a detailed investigation into the possible job and financial losses if the planned ban comes into force as agreed in July next year.

## Cook's divorce confirmed

Robin Cook, the Foreign Secretary, is free to marry his mistress, Gaynor Regan, following confirmation of his divorce from his wife, Margaret, a consultant at St John's Hospital in her husband's constituency of Livingston. The end of their 28-year marriage came last Friday in private at the High Court in Edinburgh. Mr Cook, 53, was in the city that day for the informal meeting of European foreign ministers.

## Reprise for councillor

A councillor suspended by Labour's National Executive Committee during an investigation into a £42,000 expenses fund will not face prosecution, it was revealed yesterday.

The Crown Prosecution Service has decided not to take action against John Black, the former housing chairman in Deputy Prime Minister John Prescott's troubled Hull constituency. Mr Black was suspended by the NEC when Humberside Police announced they were investigating a £42,000 bill for civic hospitality run up during his year as Lord Mayor of Hull in 1995-96. A police spokesman said that the CPS had advised that there was insufficient evidence to justify criminal proceedings.

## Straw backs chairman of Lawrence inquiry

By Jason Bennett  
Crime Correspondent

JACK STRAW, the Home Secretary, yesterday gave his full backing to the man selected to oversee the inquiry into the murder of black teenager Stephen Lawrence. He stated his position at a meeting with the dead youth's parents and legal team.

The meeting was called after the inquiry was brought to a halt within the first of four of it starting on Monday, following concerns that the chairman may be unsympathetic to race issues.

A newspaper article about Sir William Macpherson, a re-

tired judge, cited several examples in which it was alleged that he took a hard and at times unsympathetic approach to cases in which race was involved.

Sir William, 71, dismissed the article "with contempt", but agreed to adjourn the inquiry into the murder of Stephen, aged 18, who was stabbed to death at a bus stop in south-east London by a gang of white youths in 1993.

Stephen's parents, Neville and Doreen, were accompanied by their legal representatives, Michael Mansfield, QC, and Imran Khan, to the meeting with Mr Straw.

Mr Straw was thought to have made it clear that both he

and the Lord Chancellor believed Sir William would handle the inquiry fairly and sensitively and that they had full confidence in him.

The inquiry, which will also examine what lessons can be learned for future investigations into race killings, was set up after years of campaigning by the Lawrence family.

In a surprise development at the start of the hearing on Monday, Mr Mansfield told Sir William that the family had "very legitimate concerns" which they wished to discuss with the Home Secretary and which had been triggered by a Sunday newspaper article criticising the inquiry chairman.

NEW divorce laws involving

counselling sessions for couples is still due to go ahead. Whitehall sources said last night, rejecting reports that the legislation had run into trouble.

The Tory reforms to the divorce law require a three-month cooling-off period and information sessions by divorce experts before couples can legally end their marriages.

Lord Irvine, the Lord Chancellor, was said to be having doubts about going ahead with the Family Law Act, but Whitehall sources said last night that the sniping was probably com-

ing from lawyers foreseeing

part of their business being taken away by state-funded counsellors in divorce.

The main problem reported by the mediators carrying out a series of pilot projects for the Government is that not enough people are coming forward for the information sessions for researchers to assess the value of the system.

But so far, the majority going through the information sessions before divorce say they are useful; about 66 per cent have said the sessions were useful and 33 per cent said they were very useful. "There is tremendous confusion in the reports between mediation and in-

formation sessions," one of the organisers of the pilots said.

The Act, introduced by the Tory Lord Chancellor, Lord Mackay, was intended to bring in "no fault" divorce, but was heavily amended after a rear-guard action by right-wing Tory supporters of the traditional family to stop divorce being made easier. The pilot schemes were proposed as a compromise.

The Act, which is due to come into force in January, next year, will give couples with no children a three-month cooling-off period, during which they would be required to go to information sessions. Those with children would be delayed 18 months before divorce.

## Critics of divorce reform fail to derail legislation

By Colin Brown  
Chief Political Correspondent

NEW divorce laws involving

counselling sessions for couples is still due to go ahead. Whitehall sources said last night, rejecting reports that the legislation had run into trouble.

The main problem reported by the mediators carrying out a series of pilot projects for the Government is that not enough people are coming forward for the information sessions for researchers to assess the value of the system.

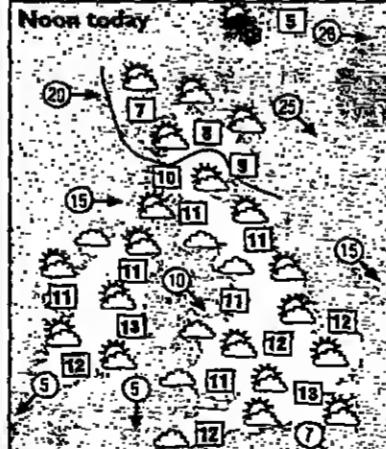
But so far, the majority going through the information sessions before divorce say they are useful; about 66 per cent have said the sessions were useful and 33 per cent said they were very useful. "There is tremendous confusion in the reports between mediation and in-

formation sessions," one of the organisers of the pilots said.

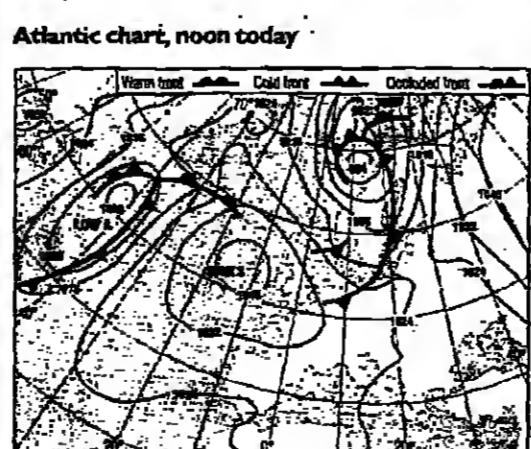
The Act, introduced by the Tory Lord Chancellor, Lord Mackay, was intended to bring in "no fault" divorce, but was heavily amended after a rear-guard action by right-wing Tory supporters of the traditional family to stop divorce being made easier. The pilot schemes were proposed as a compromise.

The Act, which is due to come into force in January, next year, will give couples with no children a three-month cooling-off period, during which they would be required to go to information sessions. Those with children would be delayed 18 months before divorce.

## FORECAST



### Atlantic chart, noon today



### Today's forecast

Northern Scotland will be cool and blustery with sunny spells and the odd passing light shower, the showers falling as sleet in the Northern Isles. Southern Scotland and Northern Ireland will be dry and reasonably bright with some sunshine at times. England and Wales will be fine and settled with variable amounts of cloud and some lengthy sunny periods. Away from northern Scotland it will be mild and it should feel pleasantly warm where the sun

### Outlook for the next few days

Areas of high pressure will be firmly anchored over the Atlantic to the east throughout the coming weekend, leading to a settled week but there will be chequered skies in the cloud to see where the best of the sunshine will be. Weak fronts will bring little rain to the Northern Isles of Scotland, but elsewhere it will stay dry with some sunny spells and above average temperatures. These will be overnight low patches in places and the risk of local ground frost.

### Air quality

#### Yesterday's readings

#### Outlook for today

#### London

#### Modest

#### Good

</div

# Girl, 6, died after heart surgery

A SIX-YEAR-OLD girl died at Great Ormond Street Hospital when a heart procedure went "horribly wrong", the General Medical Council heard yesterday. James Taylor, a paediatric cardiologist, who was supervising the operation, did not have the parents' consent to carry out the procedure on Debbie Jenkins, who was born with a congenital heart defect.

Dr Taylor has admitted operating on Debbie without her parents' consent, but denies having been aware that the parents were opposed to the procedure whereby a balloon catheter was used to try to enlarge a narrowed artery.

He also denies having told Debbie's parents, Carolyn and Ross Jenkins, of Sprowston, Norwich, that he would not use such a procedure, and also denies not having had sufficient medical grounds to proceed without their consent.

Mr Jeffrey Burke QC told the hearing in London that Debbie was born in 1988 with a serious heart defect. Debbie had two open heart operations and in 1995 her parents noticed that she was breathless. Mrs Jenkins met Dr Taylor in July 1995 to decide whether to carry out a diagnostic operation.

Mr Burke, presenting the case against Dr Taylor, said that at the meeting between Mrs Jenkins and the doctor there was specific reference as to whether a balloon catheter would be used. Dr Taylor said he would not consider it at this stage. Mrs Jenkins, who runs the parent support group Heartline in East Anglia, was opposed to such a procedure because she thought it was risky.

Dr Taylor, who denies serious professional misconduct,

also spoke to her husband before it was agreed that Debbie would undergo the diagnostic operation on 7 July.

Mrs Jenkins signed a consent form, but before signing it, she said she did not want a balloon catheter inserted. But, said Mr Burke, when Debbie was undergoing the procedure Dr Taylor realised that an artificial conduit that had been inserted into an artery during previous surgery had become deformed and was causing a blockage in her blood flow which he realised a balloon catheter could rectify.

Mr Burke said: "He then decided despite all that had passed between him and Mr and Mrs Jenkins over the last two days and despite the absence of consent of which he was fully aware, to go ahead and proceed with a balloon catheterisation."

The balloon burst and attempts to retrieve it over the next three hours failed. The remains of the balloon blocked the artery cutting off blood to the brain. Debbie died the next day. Dr Taylor, said the lawyer, was devastated by what happened and at one point said he was only trying to help the girl.

Mr Burke said the issue was not one of negligence but the fact that there was no consent for what he decided to do. Only if it had been an emergency would his actions have been appropriate.

Mr Burke added: "Dr Taylor, we have no doubt, is a highly qualified and highly reputed paediatrician in what is a renowned centre of excellence."

"Unhappy in the case of this child on this particular occasion we say that by acting as he did he is guilty of serious professional misconduct."



Kathleen Willey, the mysterious 'other woman'

Photograph: Dean Hoffmeyer/ Reuters

## Clinton pledges to work flat out for Ulster peace

By Mary Dejevsky  
in Washington

PRESIDENT Clinton yesterday confirmed his personal commitment to peace in Northern Ireland, pledging himself to a "30-hour marathon effort to try to close as many gaps as I can in the Irish peace process". Speaking at the annual St Patrick's Day presentation of the shamrock at the White House, Mr Clinton urged all parties to look beyond short-term calculations and seize a "hopeful and historic opportunity for peace".

With the Irish peace talks at a crucial stage - they reconvene in Belfast on Monday for what the Government hopes will be one last concentrated sprint towards agreement by Easter - all the leading players were in United States for the holiday. As well as Bertie Ahern, the Irish Prime Minister, Mo Mowlam, the Secretary of State for Northern Ireland, David Trimble, the Ulster Unionist Party leader, and Gerry Adams and Martin McGuinness of Sinn Fein, had all travelled to Washington. And while they had separate meetings with members of Congress on Capitol Hill, at the White House and with the press, there was little of the studied avoidance of the past.



In town: Gerry Adams (left) and David Trimble

They dined together, though on separate tables, at the British embassy St Patrick's Day lunch on Monday, and this was the first time Gerry Adams had been invited to the Washington embassy. It also marked a change of emphasis for the embassy, whose St Patrick's Day lunch was arranged in the past as a counterweight to the overwhelmingly republican tone of festivities in America. They were together again at the White House in the evening for the St Patrick's Day party.

Emerging from a 45-minute meeting with Mr Clinton on Monday night, Gerry Adams also sounded optimistic, saying: "I think there is the capacity to have an agreement." He added a hope that there would be no new violence: "I think hopefully there will nothing remain, but if there is we cannot allow that to distract us or to shoulder us off the path that we're on."

Ms Mowlam told reporters that she knew the Easter deadline set for agreement, to enable a referendum to be held before the end of May, would be "tight and tough". But she said she believed it would be met. In the absence of agreement, however, there would be no referendum: "If all parties campaigned against it, it would be political suicide," she said.

Praising the American contribution to the approach of the next, crucial stage of talks, Ms Mowlam said: "the can-do American spirit has a positive effect". Mr Clinton had already had a positive impact by "providing a united front when we face difficulties" and nudging the parties "when progress was to be made". She also held out the possibility that he might make a return visit to Northern Ireland, perhaps before a referendum. "We are not urging him," she said, "but he would be most welcome."

## Top schools expel three over drugs

By Steve Boggan

THREE BOYS have been expelled from two of the country's top schools after being found in possession of drugs.

Two sixth-formers, aged 17 and 18, were excluded from Eton (fees £12,000 pa) when a policeman caught them smoking cannabis in Windsor, less than a mile from the school. They escaped with a caution, but were automatically expelled because of the school's strict anti-drugs policy.

A third boy, named as Tom Wilson, the sixth-form son of a housemaster, was withdrawn from Charterhouse (fees £13,500 pa),

in Godalming, Surrey, after an investigation by staff uncovered a "suspicious" substance in his room. Two other boys, both aged 15, have been suspended.

The headmaster of Charterhouse, the Reverend John Witheridge, said: "Due to the school's vigilance and the discovery of suspicious material in a boy's room an internal investigation was carried out. As a result of the investigation two boys in the second year have been suspended and a boy in the first year has been withdrawn from the school." The two 15-year-olds would be allowed to return in the second week of next term but Mr Witheridge said

they would face random drug tests for the rest of their time as pupils.

At Eton, one member of staff said: "It is a source of dismay to us all - anything of this nature would be. But drug-taking is regarded extremely seriously here." Tests are carried out on boys suspected of taking drugs, with those who test positive being either expelled or suspended. A spokeswoman for Windsor police said: "[The boys] were interviewed by officers and offered a caution because of the small amount of drugs and the fact it was a first offence. They were given a stiff talking to and hopefully they will be discouraged."

## Meteor from the Sexgate cosmos

FOR MONTHS she was the mysterious "other woman" in the Clinton sex chronicles first mentioned by *Newsweek* last summer, writes David Usborne in New York. What her significance would be, few of us could fathom. Today we know and her Richter rating is high.

With her appearance on the CBS *60 Minutes* programme on Sunday, Kathleen Willey, 51, blasted into the consciousness of every American. She is a meteor from the murky Sexgate cosmos. And this is a meteor that did not miss. She is the first woman to testify that the President sexually harassed her since his election to the White House. The Paula Jones "kiss-it" allegations date to his time as governor of Arkansas. Monica Lewinsky, the intern, denied that she is reported to have told a friend: that she had sexual relations with him.

Adjectives are crucial when it comes to accusers of the President. Those applied to Mrs Willey were not good for the White House. Among them were "dignified", "credible" and "reluctant", as in reluctant accuser. They were not those applied to other accusers, Ms Jones, Ms Lewinsky and Jennifer Flowers - "highbrow", "obsessive", "trashy" and so on.

The White House is branding Mrs Willey with a new lexicon. By releasing notes she wrote to the Oval Office after the encounter in question, on 29 November 1993, when she says Mr Clinton fondled her, it is describing a woman emotionally overwrought, verging on fixated, with getting proximity to Mr Clinton.

Friends and former colleagues have mixed testimonials about Mrs Willey. Many speak of her good looks, intelligence and wit. But another characteristic has emerged: a volatility under the calm exterior and a tendency to take offence quickly when faced with perceived slurs.

Mrs Willey and her lawyer husband, Ed, campaigned for Mr Clinton and gave \$4,000

### IN THE NEWS

KATHLEEN WILLEY

to his White House effort. For her loyalty, Mrs Willey got a non-paying secretarial job in the White House social office. On that November day, however, she came to see the President for a paying job, because she needed money. She needed money because her world was failing apart. Days before, Mr Willey, hooked to a high life, told her and their two children he had stolen \$274,000 from clients; the couple had two weeks to repay it. On the day Mrs Willey went to see Mr Clinton, and allegedly suffered the humiliating encounter outside the Oval Office, her husband had packed his case and disappeared. As she was only to discover the following day, he had gone to a forest near their Virginia home and shot himself.

The notes being peddled by the White House do not suggest a woman angered by whatever occurred. On the contrary, she apparently fought fiercely to keep her contact with the President alive. She met him again that December. Within a month she wrote wishing him a "wonderful Christmas" and asking again for a "meaningful job". The jobs did come: she worked from April 1994 in the White House legal office as a secretary. After being asked to leave she was sent to two foreign conferences on the administration's behalf.

In recent years Mrs Willey has retreated to her Virginia home and a series of unglamorous secretarial positions, including one in a bakery. Creditors demanding their stolen money back have largely been paid, thanks to her husband's \$1m life assurance policy.

### WILLEY'S ALLEGATION

Mrs Willey describes Mr Clinton taking hold of her in a corridor outside the Oval Office, kissing her on the lips and asking her to place her hand on his aroused genitals. Her instinct was to slap Mr Clinton but she hesitated, thinking, "I don't think you can slap the President of the United States".

THE FORUM

Mrs Willey spelled out her allegations in a sworn deposition in the Paula Jones case. Her impact, however, came with her appearance on *60 Minutes* on Sunday. In this there was some symmetrical irony. *60 Minutes* was the forum chosen by Mr and Mrs Clinton in 1992 to calm the Jennifer Flowers controversy.

### THREAT TO CLINTON

Americans apparently found Mrs Willey creditable. For the first time there are signs female voters are turning against Mr Clinton. The White House risks being seen as sleazy with its counter-attack on Mrs Willey's credibility. For those who remember the Anita Hill-Clarence Thomas stand-off, the strategy seems depressingly familiar.

YOUR  
PENSION WILL  
TAKE OFF  
BECAUSE OF  
WHAT  
WE DON'T.

No penalties, no middleman. Low charges.



0845 3000 333

[www.directline.co.uk](http://www.directline.co.uk) / weekdays 8am-8pm and weekends 8am-5pm

**DIRECT LINE**  
PENSIONS

The value of the investment, one tell as well as past performance is not a guide to future performance. Direct Line Life Insurance Company Limited, 260 St. Margaret Street, Glasgow G2 0RS. Tel: 0141 3560 333. Registered in England No 2250298, Registered Office: 3 St. Margaret Street, Glasgow G2 0RS. Direct Line Life Insurance Company Limited markets only its own products and offers investment services only to its own products. Direct Line Life Insurance Company Limited is registered by the Personal Investments Authority. For your added security all telephone calls are recorded. Direct Line and the Tel logo telephone on wheels are the trademarks of Direct Line Insurance plc and used with its permission.



Mark Morrison (centre) with minders yesterday at Marylebone Magistrates Court, London, where he was told he would be held in custody until 26 March

## Singer Mark Morrison remanded in custody over weapon charge

THE SINGER Mark Morrison was yesterday remanded in custody after he was refused bail on a charge of possessing an offensive weapon, writes *Kate Watson-Smith*.

He pleaded not guilty before Marylebone Magistrates Court after failing to turn up in

court for a hearing scheduled for 14 January. The charge relates to an incident in west London last August when a truncheon was allegedly found under the driver's seat of his black BMW during a "routine stop". He was arrested at Heathrow airport last

night as he returned to Britain from Barbados and appeared in court smartly dressed in a black roll-neck sweater and grey-green check jacket.

The 25-year-old singer, who had an international hit with "Return of the Mack" in

1996, listened impassively as Elizabeth Hogben, the stipendiary magistrate, said he would be held in custody until 26 March.

He also pleaded guilty to failing to surrender to bail on 14 January and was fined £100 or given the option of spending a day in jail.

## Failure is missed in rich area schools

By Judith Judd  
Education Editor

account the difficulties teachers have with their intake.

"Some of the failed schools are actually doing slightly better than you might expect, given the range of ability of their pupils. Ofsted seems to be punishing schools for a whole range of social evils that they can't do much about."

Equally, he added, there were some schools which looked good in terms of the proportion of pupils getting A-C grades where a lot of those Bs and Cs should be As and A\*s.

Mr Wightman did not analyse primary schools and accepts that some primaries in middle-class areas have been failed.

A spokesman for Ofsted said it did not disagree with the analysis but pointed out that some schools with a high proportion of pupils taking free meals had overcome the handicap.

"We have no doubt that we have got it right with these failing schools. In identifying these schools we are bringing them attention, support and extra resources and educational hope to the children in them."

Ofsted last night accepted that it had not, until recently, had the mechanism to identify easily poorly performing schools in prosperous areas but said that was now in place. A spokesman said he expected that inspectors would soon be failing poor middle-class secondary schools.

The Durham study, for tomorrow night's *Dispatches* programme on Channel 4, analysed the proportion of pupils on free school meals – an accepted measure of deprivation – for 83 failing schools.

At 59 schools, more than 35 per cent of pupils were eligible for free meals; the national average is 18 per cent. At 21 of the schools the percentage taking free meals was between 22 and 35 per cent and at three the percentage was between 14 and 21 per cent.

Mark Wightman, of Durham University's Curriculum, Evaluation and Management Centre, who analysed the figures, said: "I agree with the Government that poverty should not be an excuse for failure but there doesn't appear to be anything to take into

The device was placed at the base of a metal street lamp close to a bus stop at the entrance to a small shopping mall leading to the Sainsbury's supermarket.

A Scotland Yard spokesman said: "We suspect this to be down to the person or persons calling themselves the Mardi Gra Bomber."

Detectives warned earlier this month that the bomber could kill soon.

A 17-year-old man was injured in the leg just over a week ago when a shotgun device exploded outside a Sainsbury's store in Forest Hill, close to Eltham.

The bomber turned his attention to Sainsbury's in November 1996 after originally pursuing an extortion campaign against Barclays Bank from 1994.

## Mardi Gra bomb hits high street

By Jason Bennett  
Crime Correspondent

THE MARDI GRA is believed to have struck for a 34th time after a device exploded in a busy street in south London yesterday.

No one was injured in the incident, although two elderly women needed treatment for shock, after the homemade bomb went off in a black plastic bag at about noon.

Once again the Sainsbury supermarket chain appeared to be the target of the attack, with the device left close to a store in Eltham high street.

Anti-terrorist officers and forensic experts cordoned off the area and searched for clues to the person behind the extortion and terror campaign who has alluded capture for more than four years.

### DAILY POEM

Large Mercies

by D J Enright

*I remember the schoolgirl under the bus,  
Her bicycle lying in her blood,  
And the driver in tears, saying over  
And over, "I'll never drive again."*

*I remember too, her leg was amputated,  
And when she passed her exams  
The local paper announced it proudly,  
And again when she married.*

*That means it wasn't a bad life.  
No one was dragged out of bed by  
Armed men. Children weren't speared  
Or their brains dashed out. I don't  
Remember seeing a man starve to death.*

*That's something we shouldn't forget –  
That we don't remember things like that.*

This week's poems celebrate D J Enright's half century as a published poet and come from his new *Collected Poems 1948-1998* (Oxford University Press, £15). Enright taught English for many years in the Far East and Egypt, and has also worked as a publisher, critic and editor. This poem first appeared in *The Terrible Shears* (1973).

It's not just you who could pay the consequences. A moment's loss of concentration on the phone can have terrifying results for other road users. That's why it's so important that drivers don't drive while using a hand-held mobile phone. Drivers need to concentrate on the road, not on the phone.

HAND-HELD MOBILE PHONES AND DRIVING: IT'S A BAD CALL.

الله من الدهب

failure is  
missed in  
each area  
schools

## Paco was a heroin addict, and he kept my children in Spain

Kate Watson-Smyth on an organisation that reunites families, but is in crisis

**TWO YEARS AGO** Dawn Mainstone and her three children ran away from her Spanish husband after she discovered him injecting heroin in their sitting-room.

After a 12-month battle she was granted custody by the High Court in London and agreed to let the children visit Paco twice a year. But a few days before they were due to return from their first visit, Paco rang to say they would not be coming home. It was nearly a year before she saw her children again.

The number of children being abducted by one of their parents following a divorce has increased by 58 per cent since 1995. And now one of only three or four organisations in Europe that works to bring them home is facing closure.

Reunite, formed in 1986 to help parents recover children

who have been taken abroad may have to close by the summer unless it can urgently raise funds.

The organisation helped Ms Mainstone find a solicitor and advised her on the Spanish legal system, enabling her to win her children back. Ms Mainstone, aged 29, met Paco 10 years ago shortly after she started work in a bar in south-east Spain. They married in April 1989 - two days before her twentieth birthday - and Jessica was born two months later. Dawn settled into a new life and 17 months afterwards she had Laura. "I was happy with Paco, although he was very often out till late," she said.

"Then one day I walked into the house and found him injecting himself with heroin. I had no idea, I had never been around drugs ..." Paco promised that it was a one-off and Ms Mainstone stayed with

him. Francis was born in 1994 and then she discovered that her husband had sold all the baby's nappies to pay for his habit.

She saved up her child benefit and returned to England. Paco started proceedings at the High Court and Ms Mainstone knew that, under the terms of the Hague Convention, the children would have to return to Spain and she would be charged with abduction. She presented him with a drop the case and immediately sued for and won custody. Then Paco took the children.

"I got in touch with Reunite, who helped me with the court case in Spain but the authorities said the children had been born over there and they had to stay, despite the fact that Paco was a drug addict. Reunite helped me to find a solicitor... finally I was granted custody."

It was just one of many cases that Reunite deals with every year. Denise Carter, the director, said: "Last year we dealt with 230 cases involving 338 children but there are probably twice as many as that."

Ms Carter, who joined Reunite after fighting a custody battle over her own children in the United States, said the problem was growing as the number of cross-cultural marriages increased. "The classic example is the holiday romance which goes wrong and the mother finds herself trapped in a bad marriage in a foreign country."

"I take leaves her husband and returns to Britain with the children, she is breaking the terms of the Hague Convention, which states that a child must return to the country in which it was originally resident. Once the child has been returned, the mother is left

fighting to get her children back.

"She has no representation in a foreign country, fighting a legal system she doesn't understand."

Reunite advises parents on

how to find their children and works with detective agencies and lawyers to help them through a custody case. But unless the charity can raise more money, it might have to cut back on its services or even close.

Ms Carter said: "We receive £40,000 from the Government but last year we spent £103,000... We have asked for National Lottery money twice and been refused each time and I cannot see

us ever fitting the criteria so that we can qualify for a grant. We are desperately trying to keep our doors open for the parents but I am not sure how much longer we can keep going."

Bill Oller, chairman of the all-party group on child abduction, said: "We are fighting

to get more money for Reunite but it seems that child abduction is an issue that often gets pushed down the agenda. The problem is increasing and we need to build up a network of similar organisations across Europe, rather than have to fight to keep this one open."



Photograph: Andrew Hasson



### That think-tank, Part II

HERE'S MORE on The Smith Institute, that exciting new think-tank endorsed by No 11 Downing Street. Originally set up in Edinburgh before the last election, the organisation is inspired by the example of the late Labour leader John Smith. When its first administrator, Murray Elder, left to work for the Scottish Office, Wif Stephenson, an old Edinburgh friend of the Chancellor and director of the British Film Institute until September 1997, took the helm. With typically Scottish frugality, Mr Stephenson is running the organisation out of his London home. "We are a think-tank based on exploring notions of inequality," he told *Pandora*. The group's counselling session will each be led by two distinguished pundits (eg Polly Toynbee and Ruth Lister on welfare). "We believe it is possible to reconcile the principles of social justice and economic efficiency," says Stephenson. Sounds like a New Labour version of *Relate*?

### The diplomat of SW13

AN OMINOUS storm cloud is hanging over one of London's finest restaurants. Visitors to Andrea Riva's celebrated trattoria in Belgravia have reported a new regular: Giuseppe Carlu Patten, back from his south-western suburban neighbourhood after returning from his stint as governor of Hong Kong, has acquired a taste for Riva's north Italian delicacies after years of Cantonese cooking. However, one of Riva's regulars is Eddie Belli, the gruff Glaswegian chief of HarperCollins, who recently dumped Patten's book. The commotion that could erupt should the two men find themselves at nearby tables is unimaginable. Fortunately, Riva, who was nominated as Host of the Year for *Catering Restaurant Awards*, is the most diplomatic of men.

### Well done, Willi

PANDORA attended that awards ceremony last night at the Dorchester. Unfortunately, the evening seemed to be as much about "Carlu" as about "Restaurant Award". Minor TV celebs were trotted out to present trophy platters to the winners, with Pierre Koffman of *Tante Claire* named Best Chef and critic Fay Maschler given a special award by two chefs, Brian Turner and Antony Worrall-Thompson, whom she had been critical of in the past. However, Pandora was most impressed by the superb dinner offered by Dorchester chef Will Eisner, a far cry from the usual "banquet" stodge.

### Donald's royal invitation

IF PRINCE ANDREW is looking for new ways to serve his country, he might take a look at another royal role model: Prince Albert of Monaco. It appears that Albert is keen for Monaco to play host to next year's Miss

Universe beauty parade. Or so claims Donald Trump, who controls the event along with numerous Manhattan skyscrapers and hotels. The *NY Post* has printed some of The Donald's reply, in which he invites Prince Albert to attend this year's pageant in Hawaii: "I can assure you that this will be a very enjoyable and enlightening experience." Come on, Andy, show little Monaco what you're made of and capture this "experience" for your Mum's loyal subjects.

### Age shall not wither him

AFTER yesterday's arrest of Victoria Aitken, police sources said that another "56-year-old male" was being held. Journalists first assumed this was Victoria's father; then suspicion fell on Said Ayas, the millionaire Saudi Arabian deal fixer. However, he had always given his age as 50. When police confirmed that it was Ayas it was a shocking revelation to some hardened journalists!

### What no Clinton? Phew

MEANWHILE, a flicker of hope that Americans may be tiring of the tawdry media circus at the White House. A banner across the cover of the new issue of *Time Out New York* reads: "Practically No Clinton Content Inside."

Pandora

**THE MOST  
FUEL EFFICIENT  
CROSSOVER ENGINE  
AVAILABLE FROM  
EUROPEAN  
MANUFACTURER.**



With a fuel consumption of 37.7mpg, the Corsa is the most fuel efficient car in its class. It returns up to 40.3mpg on the motorway. The Corsa's fuel tank will take you approximately 300 miles. The Corsa starts from just £8,445 on the road and comes with a choice of four body colours: black, silver, white and grey. The Corsa is available in 1.2 and 1.4 litre engines, with manual and automatic transmissions. The Corsa is a compact car, but it's spacious inside. It has a large boot and plenty of headroom for passengers. The Corsa is a reliable car, with a long history of reliability. It's a great car for the price, and it's a great car to drive.

PRICES CORRECT AT TIME OF GOING TO PRESS AND INCLUDE VAUXHALL'S RECOMMENDED ON-THE-ROAD PACKAGE FEES AND 12 MONTHS ROAD TAX LICENCE £15.00. BODY SIDE-PROTECTION MOLDINGS MAY DIFFER FROM THAT SHOWN. CALCULATIONS RELATE TO 800 MODEL BASED ON MILLAGE. EXTRA URBAN FUEL CONSUMPTION FIGURES AND PETROL AT 85P PER LITRE. OFFER AVAILABLE ON ALL CORSA CROSSED BY 2100CS. OFFER AVAILABLE TO PRIVATE INDIVIDUALS AND NON-VAT REGISTERED BUSINESSES. ALL OTHER CUSTOMERS ARE EXCLUDED. DRIVERS AGED BETWEEN 17 AND 60. £100 EXCESS WILL APPLY £150 IN N.I. OFFERS SUBJECT TO STATUS, CONDITIONS AND AVAILABILITY.

## The policeman who flew too high

Ray Mallon believed in zero tolerance and went on TV, but some people didn't like it, says Jason Bennetto

HE WAS courted by politicians, loved by the media, who dubbed him Robocop, and enthusiastically promoted by his bosses. For several months last year he was probably Britain's most famous policeman.

But last week Ray Mallon was not out catching crooks or lecturing chief constables about his vision of zero-tolerance policing. He was sitting in a snooker hall, wearing a track suit and running shoes, drinking coffee.

On 1 December the meteoric rise of the head of Middlesbrough CID came to a shuddering halt when he was suspended following corruption allegations. As the police inquiry into Middlesbrough CID drags on there is a growing suspicion among supporters of Detective Superintendent Mallon that his fall is partly due to his celebrity status.

Put crudely, they suggest that Det Supt Mallon got too big for his boots and had to be put in his place. Supporters point to two revelations that suggest it is suddenly getting personal. The Cleveland police force has just set up a second inquiry to the current corruption investigation, Operation Lancet, which is believed to be looking into Det Supt Mallon's expenses prior to 1994. And in a highly unusual move traffic-police officers throughout Cleveland have also been asked to report to the second inquiry team any previous sightings of Mr Mallon's car.

Operation Lancet, which is being overseen by the Police Complaints Authority, is understood to be investigating allegations that a hard core of CID officers has been involved in trading drugs for information from criminals, and threatening and beating up suspects or potential informants. The allegations include that of a man taken to wasteland and assaulted, another threatened with being pushed from a bridge, and a third who says he was thrown into a makeshift grave as a means of intimidation. So far seven officers from Middlesbrough CID have been suspended, pending the outcome of the investigation, and a further four moved to other duties.

But Bob Pitt, a Labour member of the Cleveland Police Authority and Middlesbrough council, believes that "Operation Lancet will come to nothing. Issues of corruption and bad practice have gone on for nearly a decade, the only way to deal with this is a full public inquiry."

The reaction in Middlesbrough to the inquiry has been unexpected. Far from shock and outrage at the unproven suggestions that senior police officers were acting like thugs and enforcers, most people appear angered at the removal of Ray Mallon. He continues



Since his suspension Ray Mallon has been working out and seeing his family. 'My job is not on the line - I have nothing to fear'

to top popularity polls and many people quite openly believe that there is nothing wrong with strong-arm tactics.

Det Supt Mallon shot to fame in October 1996 when he took charge of Middlesbrough CID and immediately vowed that he would quit if he failed to cut crime by 20 per cent in 18 months. Preaching his version of the New York style of zero-tolerance policing, in which officers challenged anyone who flouted a law, however minor, he quickly became the darling of the lecture circuit and started to catch the eye of politicians with his message "we can make a difference".

He was brought in to clean up Middlesbrough after reducing the crime rate in nearby Hartlepool, says Richard Brunstrom, the Assistant Chief Constable of Cleveland Constabulary. "We told him to go there and demonstrate that zero tolerance can work."

"Teesside [the area including Mid-

dlesbrough] has a high unemployment level and a high level of violence. There was a real sense of disorder - this goes from dropping litter to fighting in the streets."

Det Supt Mallon's tactics of targeting repeat house burglars, confronting all offenders, and talking tough brought down the crime rate. "It's a hard-hitting, hard-drinking machine environment. To an extent we have to meet force with force," said Mr Brunstrom.

The tactics have also brought criticism that civil liberties are being trampled on, for instance the use of CS spray has soared (about 700 times in the past year) and large numbers of people have been stopped and searched. There are also complaints that the police were merely clamping down on the easy fry, leaving the organised criminals and drug barons alone.

Cleveland denies these allegations, pointing to a newly created squad to fight or-

ganised crime. As the number of crimes dropped in Middlesbrough, Ray Mallon's profile expanded. He was photographed with the then Home Secretary, Michael Howard, and with Mr Howard's successor, Jack Straw.

"Some people got jealous and got bitter," admits Mr Brunstrom, who continues to champion zero tolerance in Cleveland.

Then came Operation Lancet. In October two detectives were suspended for allegedly supplying drugs to criminals in exchange for confessions or information. Then 14 weeks ago Det Supt Mallon was suspended, accused of leaking information to the press and of "alleged activity which could be construed as criminal".

The allegations are understood to stem from claims made by a CID officer that Det Supt Mallon knew about the drug-bribery allegations, but tried to cover it up.

Very senior police officers outside

Cleveland have also privately questioned whether it was possible for the head of the CID not to be aware of the allegations. "He should have known," said one.

Since his suspension, Ray Mallon, who has yet to be interviewed, has been keeping up his exercises, staying teetotal, and seeing more of his family. He has also continued to write a weekly column for the local newspaper.

Speaking from the snooker club in Middlesbrough, he is bursting with frustration, indignation, and pent-up energy. "My job is not on the line - I have nothing to fear. I have done nothing wrong and I'm certain I will be exonerated," he said.

He continued: "In any organisation if someone adopts a high profile they will make enemies. My enemies didn't like me getting my face on the television..."

He added: "I look forward to coming back to work. I don't intend to retire early."

## Weight fears risk girls' health

By Glenda Cooper  
Social Affairs Correspondent

TEENAGE girls are putting their health at risk because they fear unnecessarily that they are overweight, according to a new survey.

More than six out of ten 14- to 15-year-old girls say that they would like to lose weight although only 15 per cent did actually weigh too much for their weight and height.

Boys of the same age had a more realistic attitude. Just over a quarter said they would like to lose weight; just under one in five were overweight.

Girls are skipping meals to try to lose weight and by the time they are 15 more than three out of ten girls are missing breakfast and one in seven is having no lunch.

The evidence comes from a survey carried out amongst school-age children by the Schools Health Education Unit.

If concern about real or imagined excess weight led to participation in active pursuits this could be a beneficial spin-off, the survey says. However, other data provided by the questionnaire survey show that girls tend to be even less physically active than boys.

When they do eat, girls make more of an effort to maintain a healthy diet.

The British Dietetic Association said the data raised serious concerns about the health of teenage girls. "From these figures, it would seem that girls skipping meals to lose weight is getting worse," said their spokeswoman, Lyndel Costain.

Only a small percentage of girls developed severe eating disorders like bulimia and anorexia, she said - 1 per cent or 2 per cent, compared to the 60 per cent or 70 per cent who dieted.

"But there is a bigger group of girls who may nevertheless be putting their health at risk by skipping meals in this way," she added.

# THE Freshest

333MHz  
PROFESSIONAL  
SYSTEM

### From the COMPANY that was BORN on a FARM

Since Gateway 2000 began life on a farm, we understand more than most the importance of a fresh product. That's why we build your computer only when you order it. This way you know your PC hasn't been sitting in a warehouse gathering dust. The G6-333SE system shown here is only one example of what Gateway 2000 can make for you. We'd like to chat with you first, however, to find out your needs. You'll find our fresh technology, together with our technical support for as

long as you own your GATEWAY® system, makes Gateway 2000 unbeatable value. Call us on the freephone number shown here, not forgetting to ask about our flexible

**GATEWAY2000**  
You've got a friend in the business.  
**0800 39 2000**  
<http://www.gateway2000.co.uk>

©1998 Gateway 2000 Europe. Black-and-white spot design. "G" logo, "You've got a friend in the business", "GATEWAY" and "GATEWAY 2000" are trademarks or registered trademarks of Gateway 2000 Inc. The Intel Inside Logo and Pentium are registered trademarks of Intel Corporation. All other products and services mentioned or referred to are trademarks or registered trademarks of their respective companies. All rights reserved. All prices quoted in Sterling. All sales subject to Gateway's Terms and Conditions. Gateway reserves the right to cancel any order received if no payment is made within 14 days. Actual viewing area can be approx. 15" inc.

## Clear your financial commitments and pay less each month

Outstanding commitments	Interest Rate	Monthly Amount Repayable (36 months)	Total Amount Repayable
Barclaycard	22.9% APR	£75.14	£2,705.04
Barclays Bank Loan	20.9% APR	£55.08	£1,982.88
House of Fraser Store Card	28.4% APR	£59.85	£2,154.60
Total amount owed	£5,000	£190.07	£6,842.52
Amount borrowed with a Marks & Spencer Personal Loan over 36 months	15.9% APR	£72.95	£6,226.20
Total saving over 36 months			£616.32

A Marks & Spencer Personal Loan could help you clear all your financial commitments and save money each month. We could help you clear all your outstanding credit and store card bills, loans and any other unpaid bills - leaving you with one affordable and easily manageable monthly payment.

You can apply for between £500 and £10,000 and choose the repayment period that suits you - from 12 to 84 months. And because the rates are fixed, your monthly repayments will never rise.

What's more, there is no administration or arrangement fee, no security to provide and no interview to attend. And eligible Marks & Spencer Account Card customers can claim a special 1% APR discount.

It costs nothing to apply for a Marks & Spencer Personal Loan. When you call, our trained sales staff will help with all

aspects of your application, including our reassuring Personal Loan Protection.

So take more control of your finances and save money with a Marks & Spencer Personal Loan. Call today on 0800 363 464.

Call free to apply on  
**0800 363 464**  
quoting reference IDA10

Lines open Monday to Friday 8am to 8.30pm,  
and Saturday 8am to 5.30pm.

**MARKS & SPENCER**  
FINANCIAL SERVICES

Written quotations available on request from Marks & Spencer Financial Services Limited, Kings Meadow, Chester Business Park, Chester CH9 9FB.  
Marks & Spencer Financial Services Limited, Registered Office: Michael House, Baker Street, London W1A 1DN.  
Registered in England No. 1772925. A subsidiary of Marks & Spencer plc.

Weigh  
fears  
risk in  
health



Raincheck: Israeli police surround Robin Cook (centre) as he is mobbed by right-wing protesters at Har Homa. Photograph: AP

## Power makes China's sour chief smile

By Theresa Poole  
in Peking

CHINA'S most miserable-looking politician cracked a rare grin yesterday after being voted the new prime minister, to repeat applause from parliament. But Zhu Rongji gave the impression of being a man with little time for the theatrical side of Chinese politics.

Mr Zhu had sat resolutely making notes as red electronic boards in the Great Hall of the People in Peking flashed up the 98-per-cent result: 2,890



Zhu Rongji: Plans to slash bloated bureaucracy

votes in favour, 29 against and 31 abstentions. Loud clapping from the delegates elicited a quick bow before he returned to his writing. Only when President Jiang Zemin judged him during a second bout of applause did Mr Zhu rise and put his hands together in a gesture of thanks. It took a vigorous handshake from the outgoing prime minister, Li Peng, to draw out that rare thing in Chinese politics – a beaming smile from Mr Zhu.

For the first time this session, National People's Congress (NPC) delegates yesterday also showed they did not always do

what was expected of them. The vote for the appointment of Han Zimin as chief state prosecutor saw nearly 35 per cent of delegates voting against or abstaining. The protest vote probably indicated that, at a time when crime and corruption are rising, delegates felt Mr Han's previous position as minister of railways had not qualified him for the job.

Mr Zhu's election was a foregone conclusion. But it marks what many believe could be a new era in Chinese politics. At 69, he has let it be known he is a one-term prime minister, which means he will be less wary of making enemies by driving through his ambitious reform plans. The grimmest man in Chinese politics is also set to be the busiest. Mr Zhu plans savage cuts in China's bloated bureaucracy and intends to overturn a loss-making state enterprises. Millions of state jobs will go during his five-year term.

China's annual meeting of the NPC closes tomorrow, and Mr Zhu is due that morning to give his first press conference as prime minister.

His appointment is supposed to herald a more open style, so there will be much interest in whether he breaks the habit of his predecessor and takes questions which have not been pre-scripted.

■ China's population, already the world's largest, will keep growing until it hits 1.6 billion in 2050, according to the state media, AP reports.

Officials said China will not change its family-planning policy restricting most urban families to one child. Many rural areas allow two children. At the end of 1997 the population of China, including Hong Kong, was 1.243 billion.

## Boost to German left's poll hopes

GERMANY'S opposition Social Democrats (SPD) yesterday hailed a change of leadership in Germany's most populous state as a major boost for its campaign to oust Chancellor Helmut Kohl in elections.

SPD officials said the nomination of Wolfgang Clement, a pro-business pragmatist, to run North Rhine-Westphalia would strengthen the hand of Gerhard Schröder, the party's candidate for the chancellorship in the September elections.

Johannes Rau, the 67-year-old North Rhine-Westphalia's state premier, announced on Monday night he would step down in June and hand over the reins to Mr Clement, 57, his economics minister.

"This change of generation is good. It will give us new impetus," said Ingrid Martha-Meier, the centre-left party's finance policy spokeswoman.

Mr Schröder and Mr Clement see themselves in the mould of Tony Blair: social de-

mocrats who embrace economic modernisation but do not forget social justice.

"Wolfgang Clement will be a big help to Gerhard Schröder in the election... It's about creating a new country and they both stand for that," said Peter Struck, SPD parliamentary whip.

Mr Kohl's conservatives said the change was simply proof that the state's coalition government of SPD and ecologist Greens was in trouble.

The move represents a changing of the guard from Mr Rau, an SPD elder statesman, to Mr Clement, a pragmatist.

Mr Schröder hopes to achieve a similar change in political culture by leading the Social Democrats to victory over Mr Kohl in September. Commentators said the handover in North Rhine-Westphalia increased pressure on Mr Kohl to consider passing on the baton to his own crown prince, Wolfgang Schäuble. — Reuters, Bonn

Leading article, page 12

## Cook fights a war of words at Har Homa

By Eric Silver  
in Jerusalem

UNDAUNTED by the kind of driving rain that washes out test matches, Robin Cook came, saw and conquered – the Palestinians, if not exactly the Israelis.

The Foreign Secretary yesterday inspected Har Homa, the East Jerusalem hillside where Israel plans to build 6,000 Jewish homes on land won from the Arabs in 1967, and heard separate briefings from each side of a border checkpoint. Although he had agreed reluctantly to accept an Israeli escort, Mr Cook denied he had surrendered to Israeli pressure.

"The Israeli pressure," he said after an earlier meeting in Gaza with the Palestinian leader, Yasser Arafat, "was for me not to see the hill, and I am

going there. I insisted on going. I am the first European foreign minister ever to visit that site. That is a statement which I think should be welcomed by all those who are concerned about progress in the peace process."

Mr Cook called for a halt to the expansion of Jewish settlements on the occupied West Bank. He also announced a £5m European training programme for the Palestinian security services and an extension of European Union aid for Palestinian economic development.

Mr Arafat commanded Britain and the Europeans for "pushing forward and protecting the peace process against the obstacles facing it, especially the dishonest implementation of what had been agreed upon". His barb was clearly directed at the Israeli Prime Minister, Benjamin Netanyahu. According to

Israeli press reports, Mr Arafat has rejected as pointless an invitation from Mr Netanyahu to meet secretly in an attempt to revive the talks, stalled since Israel announced the Har Homa project 12 months ago.

In anticipation of Mr Cook's arrival, the approach to Har Homa turned into an arena for a clash of slogans. "Peace now is a stab in the back" bellowed the right. "Har Homa, the next disaster!" retorted the left.

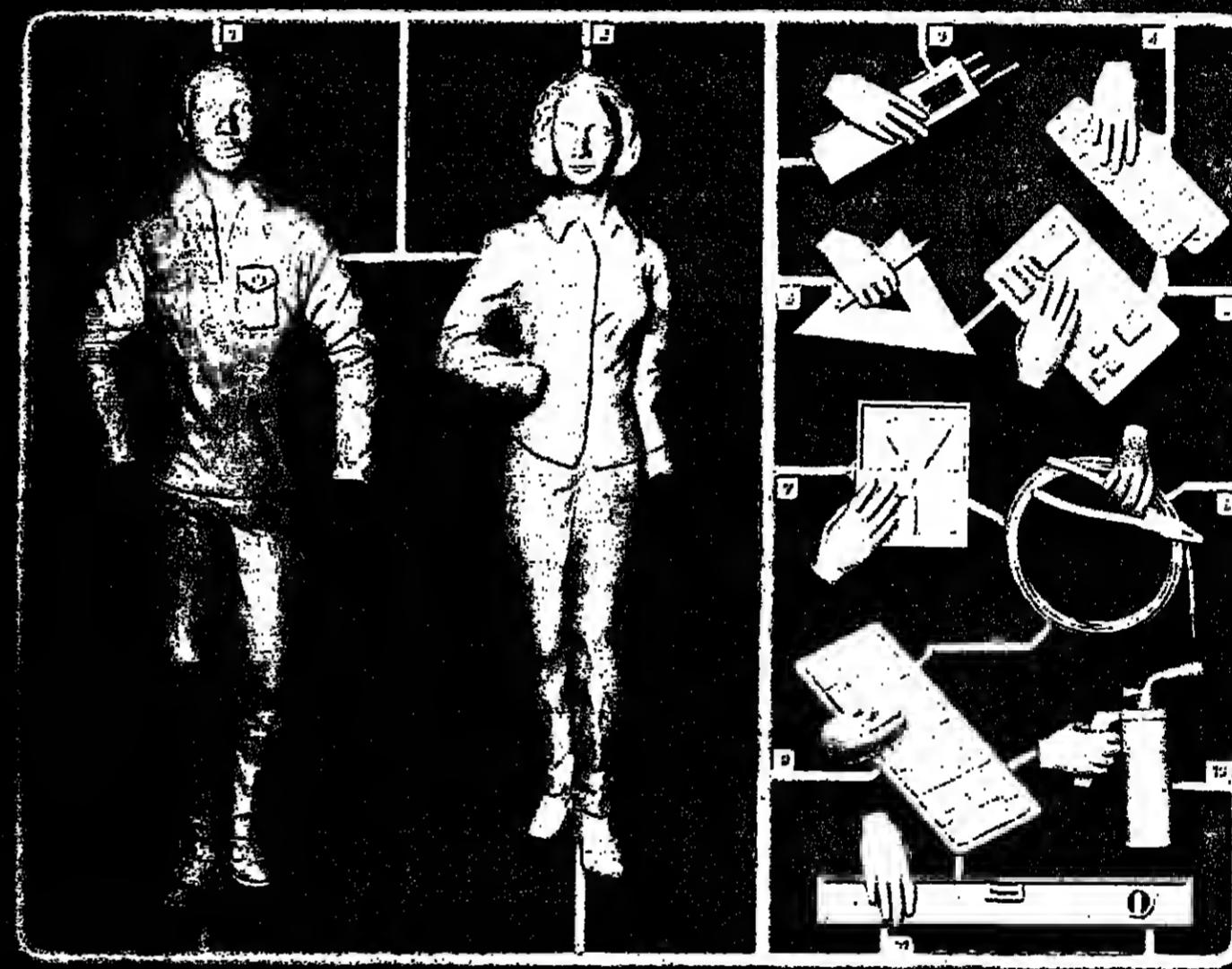
"Ban the import of mad Cook disease," read one placard. The left appealed: "Robin, help us save the peace."

By making Har Homa the centrepiece of his brief Jerusalem visit, Mr Cook got the worse of both worlds. Israelis resented the focus on the future of Jerusalem, which is due to be resolved in final-status negotiations. Palestinians

denounced what they saw as a British climbdown when the Foreign Secretary agreed to be guided to Har Homa by Danny Naveh, the Israel Cabinet Secretary, rather than Faisal Husseini, the senior Palestinian representative in the holy city.

Before meeting the Foreign Secretary, Mr Naveh told reporters that his Jerusalem visit "might as well not have happened". Mr Netanyahu reiterated the inflexible position of all Israeli governments since the 1967 war: "Jerusalem remains and will remain the indisputable, indivisible capital of Israel."

After Har Homa, Mr Cook accommodated Israeli sensitivities by meeting Mr Husseini and other Palestinian politicians in an East Jerusalem educational institution, rather than in Orient House, the Palestinians' unofficial foreign ministry.



## HOW TO MAKE YOUR OWN MODEL EMPLOYEE

... JUST FOLLOW THESE SIMPLE STEPS.

- 1 You will need one vacancy or training place and one enthusiastic school leaver. Match up school leaver with vacancy, and check how they fit together.
- 2 Apply National Traineeship, devised by the business community, to provide employers with the skilled people they need.
- 3 Find out about support available from Training and Enterprise Council, and enlist their help to design desired programme.
- 4 Help your trainee develop vital workplace skills such as IT, numeracy and communication, up to NVQ level 2.

For more information, call 0345 60 65 66 or visit [www.tec.org.uk](http://www.tec.org.uk)

D/EE

NATIONAL TRAINEESHIPS  
THE MAKING OF A SCHOOL LEAVER

Financial  
events and  
in month

0800 363 464

FINANCIAL SERVICES

# Tragedy of baby-snatch case shocks Russia

By Phil Reeves  
in Moscow

SOME blame the absurdity of the past, an outdated and dangerous superstition. Others blame the emergence in Russia of a "rat pack". But there is unanimous agreement on one point in this harsh, disorientated society: the case of Yegor, a four-week-old baby, should never be allowed to happen again.

The boy was stolen from his pram last week after his mother left him in the street next to the entrance of a Moscow gynaecology clinic, while she popped in to give flowers to a doctor. Few mothers in London, Paris or New York would take such a risk, but Irina Nisevich, 30, appears to have had her reasons, albeit misguided.

The doctor has told reporters she was observing a Russian superstition in which a baby should not be shown to strangers until he or she is 40 days old. The belief has its roots

in the fear of the "evil eye". Yegor had only reached Day 23. It probably did not occur to her that her baby might be at risk: baby-snatching is rare in Russia, where babies are treated with huge consideration.

Police say only one other baby has been abducted in the Moscow area in the last three decades. In Soviet times, clusters of prams were a common sight outside shops or clinics. Even now, when small children get lost, the search becomes a matter of communal concern. It is hardly surprising, then, that Yegor's case immediately became a *cause célèbre* among the Russian media.

Three days after her baby's disappearance, a distraught Mrs Nisevich leapt to her death from the window of her eighth-storey apartment. Her exhausted husband, Dmitri, was asleep. Unlike child-snatching, suicide is alarmingly common in Russia. The government's State Committee on Statistics says there were an estimated 54,900 in Russia last year - a staggering 150

a day - a figure up sharply from the 39,200 in 1990. Psychologists blame economic instability, a fall in the standard of living, growing unemployment, alcohol and drug abuse.

But Mrs Nisevich's case falls into a separate category. By the time of her death, she had endured three days of intense press interest, of unending telephone calls, questions and interviews. Some say the press frenzy - a relatively new phenomenon in Russia - helped drive her to suicide.

"It was not only the fact that journalists were at her door with questions," said sub-colonel Vladimir Zubkov of the interior ministry in Moscow. "It was also what they were writing in their reports - saying the baby had been kidnapped to have his organs transplanted."

To his voice has been added that of Sergei Topol, a reporter from the newspaper *Kommersant Daily* who covered the story. He told the *Moscow Times* he too, believes media pressure could have played a part. Such was the strength of his

feelings over the issue that he declined to interview Mrs Nisevich: "There are some moral barriers that should never be crossed."

Russians have not forgotten the allegations made against the Western paparazzi after the death of Diana, Princess of Wales. Although the evidence in this case is arguable - Mrs Nisevich was said to be unable to forgive herself for the loss of Yegor - a debate over media ethics is looming.

Almost as shocking as the tragedy itself are the theories about the abduction of Yegor, who has yet to be found, despite a search of airports and railway stations. Russian newspapers say he may have been stolen by beggars, who use children as props on the street to induce pity. He may also, they say, have been taken by professional criminals intent on selling him to an illegal adoption racket.

In this society, with its deep love of children, that is about as sick as you can get.

## Yeltsin returns to the sick list



Yeltsin: History of ill-health

ON THE advice of his doctors - and, it seems, a world-famous cellist - President Boris Yeltsin has cancelled his engagements for the week to recover from his third bout of illness in a year, writes Phil Reeves.

Doctors yesterday told him to remain in his residence outside Moscow, where he is being treated for a "heavy cold and had cough which could lead to complications", an aide said. The President's illnesses invariably attract headlines worldwide, largely because of the suspicion the Kremlin is cover-

ing up a more serious condition, as it used to in Soviet times.

By yesterday afternoon, unlike the case with previous illnesses, no television pictures of the President had been released. To counter this, his press service provided relatively detailed accounts of his ailment, issuing a statement saying the doctors felt he should cancel engagements "to avoid complications to the bronchial tubes and lungs". Yeltsin-watchers search for signs that his heart is playing up, that he is drinking again, or has had a stroke.

However, other factors could also be in play. Mr Yeltsin, 67, has long had a habit of disappearing, ill and depressed, usually, after a flurry of activity. He has also recently shown signs of being confused. This time, Rostropovich, the cellist and conductor, has claimed credit for persuading him to stay at home convalescing. Rostropovich visited Mr Yeltsin on Sunday and said he had "absolutely no worries" about the President's health. "There was no end to our delight when we saw him robust and braced-up."



Russian ultra-right nationalists protest outside the Latvian embassy in Moscow yesterday after a march in Riga by over 500 veterans of Latvia's Nazi Waffen-SS legion. Photograph: Reuters

## PM leads Armenia election

ARMENIA'S prime minister took a solid lead as early presidential election returns were counted yesterday, but he still appears to be heading for a run-off ballot with the country's former Communist Party boss.

With 35 per cent of the vote counted, Robert Kocharyan had 38 per cent, ahead of the former Communist Party leader Karen Demirchian with 27 per cent. Turnout in Monday's national election was high, with Armenian voters in a restless mood over the economy's decline.

The Communist Party's official candidate, Sergei Badalian, had 17 per cent of the vote. As none of the candidates was likely to get an outright majority, a run-off between the top two is likely on 30 March.

The results are likely to be contested. Seven of the 12 candidates were alleging fraud - the same accusation Armenians made against their former president, Levon Ter-Petrosian, whose resignation last month opened the way for Monday's vote.

## Chiluba lifts state of emergency in Zambia

Zambian President Frederick Chiluba yesterday lifted the state of emergency imposed after a failed coup by junior army officers last October. More than 90 people were arrested in connection with the attempt, including former president Kenneth Kaunda who ruled Zambia for 27 years until multi-party elections in 1991.

— Reuters, Lusaka

## US pledge to Macedonia

The US told Macedonia it will not allow a security vacuum to develop in the former Yugoslav republic when the UN peace-keepers mandate runs out in August. Deputy Secretary of State Strobe Talbott told government leaders the 300 US peace troops in Macedonia, which borders Serbia's restive Kosovo province, "understand they are on the front lines of the cause of peace".

— Reuters, Skopje

## Post for Suharto daughter

President Suharto's eldest daughter said her father had made her a Cabinet minister to help Indonesia overcome its economic crisis. Sri Hardiyanti Rukmana, known as Tutut, said she was ready to face all kinds of insults over her appointment as social affairs minister. Tutut, 49, denied that her father would eventually hand the presidency to her.

— AP, Jakarta

## Monk stole religious icons

A court in Salonika has sentenced a monk to three years and one month in prison for stealing icons and religious artifacts from Orthodox monasteries and hermits' huts on Mt Athos in northern Greece. Andreas Papamantas stole the items to sell them, the court was told.

— AP, Salonica

# IN RE-DESIGNING OUR BUSES, WE TALKED TO PEOPLE WITH INSIDE KNOWLEDGE

What can a Scottish granny, a mother of two from Ipswich, and a group of Plymouth schoolkids teach a specialist team of top industrial and interior designers?

Well, quite a lot actually. You see, when we initially decided to re-design the British bus, we asked the opinions of the people most familiar with it - our passengers.

From leg-room and lighting, right down to the colour of the seats, passengers from all kinds of age-groups and backgrounds had their say.

Only then, after completing this exhaustive survey, did we set our designers to work on the best ideas.

Busy mums, disabled passengers and the elderly asked us if we

could provide easier access onto the bus.

We decided to go for a giant leap instead, and introduced a revolutionary 'kneeling' suspension, which lowers the bus down to pavement level - meaning no steps.

Many of our passengers requested extra space, so we made room for their shopping, luggage, pushchairs - and more importantly - legs.

So now our high-quality seating is as spacious as it is comfortable.

A new climate control system, double-glazing and floor level heating, ensure you'll keep your cool in the summer and receive a very warm welcome during winter. (Remember that, particularly if the car won't start on those really cold and frosty mornings.)

Safety, of course, remains our first priority. That's why we incorporated a

range of design features such as improved lighting and fire-resistant seats.

And, just to make sure that there are no slip-ups, specially designed slip-resistant flooring.

Add to that our new air suspension, bright, electronic display systems, and a stylish, modern interior.

The result? A state-of-the-art people carrier that every bus passenger can be proud of. In fact, we were so impressed that we ordered 900 of them straight away. Many of them are on the road already.

So, if you're impressed enough to come aboard one of our beautiful new buses, and like what you see, don't compliment us. Just give the person next to you a pat on the back instead.



**FirstGroup**

ON THE ROAD FROM ONLY 50p

لـ 50p من الامان

## THE INDEPENDENT RANDOM RUGS - from £12.95 inc. p&p

Woven in Wales, these versatile all-wool rugs are tremendous value. They can be used as a car rug, as a throw on your sofa and chairs, as a picnic rug or just for keeping warm during the winter months. Made to the highest standard they measure 152cm x 122cm (60" x 48"), and come in an assortment of mixed colours, finished with detailed fringing. There are usually three to four colours per rug, but the colours are random and a mixture of either navy, air force blue, green, red, mustard, canary, brown, purple, sand, charcoal and dusky pink.

They are exceptionally good value at £12.95 each, or save money and buy two for £22.95 or three for £32.95. All prices include postage and packing, but note that if you buy two or more we cannot guarantee that colours will be the same or matching.

Please send me  One Rug @ £12.95 each inc. p&p  
 Two Rugs @ £22.95 per pair inc. p&p  
 Three Rugs @ £32.95 per set of 3 inc. p&p

I enclose a crossed cheque for £  (address on back) made payable to: NEWSPAPER PUBLISHING LTD 168 Postgate Street, London EC1R 0EP. Please debit my Access/Visa account by this amount. My card number is:

Expiry Date  Signature   
NAME   
ADDRESS   
Post Code

Send to: THE INDEPENDENT RANDOM RUG OFFER, PO Box 9477, London EC1R 0EP.  
Please tick this box if you do not wish to receive future offers from Newspaper Publishing Plc.

or companies approved by Newspaper Publishing Plc.

Printed on recycled paper. © 1998 FirstGroup. All rights reserved.

## PARIS '98

The supremacy of French designers is no more. The Japanese, Belgians and British are setting the trends. **Tamsin Blanchard** reports from the Autumn/Winter collections



Understated and relaxed luxury by Martin Margiela for Hermès (above), Dries van Noten (below)



Super-slick, hard-edged tailoring by Alexander McQueen for Givenchy



Abstract layering by Comme des Garçons (above) John Galliano (below) revisits the opulence of the Thirties, again



PHOTOGRAPHS BY BEN ELWES

WHEN Giorgio Armani tried to show his Emporio Armani collection at the Autumn/Winter '98 shows in Paris last week, his efforts were scuppered by the French authorities who said he had not made the correct security arrangements. Rumour abounded that this was a plot to prevent a powerful Italian showing his collection on French soil. And perhaps Paris is right to be defensive about who shows there – French designers might once have been at the centre of the fashion universe, but not any more.

Last week, foreign designers dominated the Paris shows. This is the culmination of years of overseas influence, beginning with the Japanese, who moved in during the Seventies; when Kenzo, Issey Miyake and Comme des Garçons first moved their shows to the French capital. Then came the Belgians, who have been so influential since the late Eighties; the British, who are in the seats of power at Dior, Givenchy and Chloé; and now the Americans, who have taken control of the commercial backbone of Paris at Louis Vuitton, Céline and French-controlled Spanish company Loewe.

Most of the next generation of new designers

are Belgian, from the Antwerp School – Veronique Branquinho and Olivier Theyskens are hot new names who show great promise – and Jeremy Scott, Isabella Blow's latest protégé, is American. French fashion's only real hope lies with Jerome Dreyfuss and his partner Gaspard Yurkievich. Fashion needs designers who push forward, bringing new ideas and new ways of thinking. Rei Kawakubo of Comme des Garçons is one such designer who refuses to compromise her vision, however difficult it might appear at the time. For next autumn, the theme of Kawakubo's collection is "fusion". Her designs include pieces so abstract that you would need a lesson on how to put them on, with disparate pattern pieces apparently sewn up in the wrong order. Then there are coats and dresses that had been turned inside out to make a feature of the linings and inner workings of the garments. However unusual, these clothes are pure and beautiful.

It is difficult to identify Kawakubo's references or sources of inspiration, but there is something of Martin Margiela in this collection, the Belgian designer who showed his debut

collection for French luxury leather company Hermès in Paris. Margiela's appointment shocked the industry; he has managed to remain underground since appearing on the fashion scene in the late Eighties, showing in car parks or Red Cross depots. But his collection for Hermès was superlative, touching the perfect note for both the fashion house and its customers, nudging the label along a little, without inflicting his particular look on the house. This is the mark of a true designer with real integrity, not a deluded egomaniac.

Margiela's Hermès is the height of understated luxury: hand-knitted jumpers in chunky cashmere; masculine tailoring which is relaxed, slouchy and totally desirable; coat linings worn as lightweight "anti-pluies"; comfortable tunics; and worn-in Kelly bags which had obviously been well-used and well-loved. Typically, Margiela's own collection, shown at La Défense close to midnight, was displayed on life-size puppets in a venue so crowded and chaotic that it was hard to get a glimpse of the clothes.

Margiela belongs to the first generation of

Belgian designers to infiltrate Paris – the so-called Antwerp Six, which included Ann Demeulemeester, Dirk Bikkembergs and Dries Van Noten. Within a decade, Dries Van Noten has quietly built up quite an empire as well as a loyal following among women who want to wear rich and exotic clothes that they feel comfortable and confident in.

He surprised himself in Paris last week, blending his north African Saharan layered look with a touch of Hungarian gypsy. Etched leather riding boots were worn with layers of floral dresses, wrapped knits, bolero jackets, embroidered coats, sheepskin shrugs and sequinned skirts. Best of all were the finishing touches, such as the long thin scarves with panels of shiny metallic knit. Here was the ultimate fusion of good design, sumptuous surface decoration and romance – real, wearable clothes of which buyers cannot get enough.

Of the rest, British designer Alexander McQueen excelled at Givenchy with *Bladerunner* styling and superbly tailored suits that keep in time with the house and its customers, both new

and old. These are clothes that will stand the test of time – as should clothes involving this much workmanship and expense.

Galliano, too, proved himself to be a master showman, creating a Weimar Republic tent in the middle of nowhere, with prostitutes draped over a central piano like a scene from an Otto Dix painting, while bubbles and money showered down from the roof. However, his talents as a designer remain singularly focused on the pre-war years (be it the First or Second World War, he doesn't really mind). The production was fabulous – he can create another world with incredible imagination and finesse – the clothes, however, look like they are stuck in the fancy-dress cupboard of his mind.

But the real master was Yves Saint Laurent, the man who started it all when he took student fashion and made it haute in the Sixties. After 30 years as a designer, he proved his talent remains unsurpassed, with a classic collection including a sequinned sheath with chiffon over a dress, bright wool capes and the jumpsuit that has become a signature of Alexander McQueen.

## Everyone wants to get their hands on the Lady

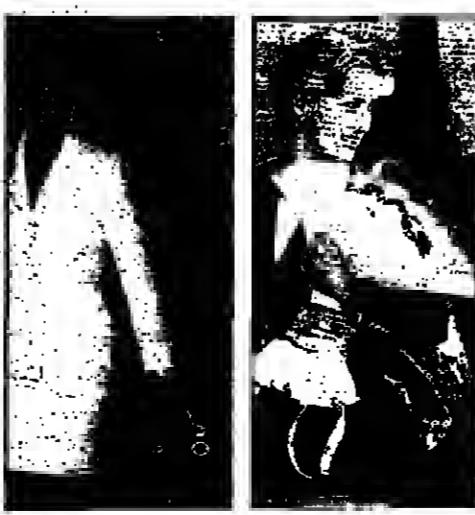
The bag favoured by Diana is this year's favourite accessory.

**Tamsin Blanchard** reports

AS you walk down Milan's equivalent of Oxford Street, you are seduced by vendors selling tip-off bags. Prada handbags – complete with the authentic looking Prada print linings – are all over the place, a snip at around £15. This year a new name joined the ranks: a lookalike Dior. The Lady Dior to be precise, a little quilted bag with letters D-I-O-R jangling like charms on a bracelet from the handle. In the Dior boutiques around the world, the price of the bag starts at £550 for the smallest size in satin. The same in crocodile will set you back 10 times that amount. In London, the bags are simply sold out. The sort of women who buy them shop around be-

tween London, Paris and New York like most of us shop around between Oxford Street and Covent Garden, so if they can't find their Lady Dior in London they will simply buy it in Paris or wherever they are jetting to that week.

In bag terms, there is no better endorsement than to have an association with a style icon. The Hermès Kelly bag – for which there is always a waiting list – is famous because of Grace Kelly. It has become an all-time classic. And so too, will the Lady Dior – introduced in 1996. It is after all, the bag made famous by Diana, Princess of Wales, and plays on the name which the French and other continental Europeans



It's a sell-out: Diana with her favourite Lady Dior (left) and a larger post-divorce bag

continued to call her after her marriage and after her divorce – Lady D.

The first Lady Dior bag was presented to Diana by the French President's wife, Bernadette Chirac, while on a visit to Paris and became one of the most photographed bags in history after Diana took it to the Costume Institute at the Metropolitan Museum's annual gala evening held to honour the opening of the *Fifty Years of Dior* retrospective in New York. She wore the first dress by John Galliano for the house of Dior – and of course carried the bag.

As Diana's independence grew and she lost her HRH after the divorce, she also lost the privi-

lege of ladies-in-waiting. Instead of having human carriers to cart around her make-up and notes, she had to rely on handbags. Out went the tiny clutchbags, which used to hold little more than a handkerchief. In came more businesslike handbags – and briefcases too. The more independent she got, the bigger the bag became, whether by Versace, Dior, Hermès or Chanel. Fashion houses would send her bags as presents, desperately hoping that she would adopt their bag as a favourite. But it is the Lady Dior bag that will always remain connected to Diana – and will be one of fashion's lasting tributes to one of the most influential style icons of the modern age.

# Death becomes her

On television, women in the foul-play trade are as cold as the corpses. The truth is different, real females tell Emma Cook

TAKE one hard-hitting female forensic – preferably single – a gruesome corpse in need of a post-mortem, an unsolved crime and there's no reason why you shouldn't have a best-selling thriller or BBC drama series on your hands – maybe a Hollywood script if you're lucky. And to really guarantee a hefty stake in the ratings, make sure your heroine can conduct a post-mortem in a manner that suggests a heart coated with steel.

Forensic pathologist Dr Sam Ryan, aka Amanda Burton of the BBC drama *Silent Witness*, certainly can. "Considerable satisfaction, as might be expected after three years in wet, peaty soil," she murmurs in one episode, looking at the remains of the corpse with the sort of distaste you'd spare for some mouldy old veg at the back of the fridge.

Ryan joins a lineage of forensic-friendly heroines. The blueprint was Jodie Foster's hard-as-nails FBI investigator in *Silence of the Lambs* and there have also been Helen Mirren's detective inspector Jane Tennison in *Prime Suspect* and Patricia Cornwell's novels featuring hard-boiled Dr Kay Scarpetta. Then there is *Mortimer's Law*, featuring a female coroner and another television drama in production starring Pauline Quirke as a police inspector.

So what is it with females and bodies? In a medical sphere at least, a woman's place has typically been in the maternity wards, bringing new life into the world rather than examining the recently departed. In this sense, our appetite for these sort of characters seems like a healthy departure. These women are tough, independent, forceful and intelligent. In the switch from nurturing new lives to probing dead ones they have, in dramatic terms, accessed new creative territory.

Yet the genre may well create a new set of clichés; that women who work in crime are dispassionate, cold creatures who've paid the price for an absorbing career with a rather miserable personal life.

Certainly this is one stereotype Dr Helen Whitwell, a forensic pathologist working at Queen Elizabeth Hospital in Birmingham, finds irritating. She advised the author of *Silent Witness* on certain details and says that although the programme is factually correct, the dramatic portrayal of Dr Ryan is less representative. "I don't think the programme applies to me," says Whitwell, in her small office where every surface is scattered with papers of cases she is working on. "All the forensic pathologists I know are sociable and outgoing. They're not miserable characters. I don't know why they depict women like that. Perhaps they think there is a price to pay for the horrific things we see but that's a drama series for you."

One of around six female forensic pathologists working in Britain, Whitwell, 43, studied histopathology at Manchester for seven years and came to Birmingham in 1986 to work in neuropathology – specialising with brains. Her involvement with head injuries led to an interest in forensic work although much of her day-to-day work



Dr Helen Whitwell, above, is irritated with the portrayal of the pathologist in the series starring Amanda Burton, below

Mike Scott/Newssteam

is examining brain specimens. Despite the sometimes gruesome nature of her work, she seems determinedly resilient. Has she ever found her work disturbing? "I can see what would happen if you dwelled on it. But you can't do that. It's better not to," she says briskly.

About once a fortnight she is called out to look at a body, carry out a post-mortem, estimate the time of death, and assess the injuries and their causes. Then she will have to present her findings at an inquest or Crown Court. Perhaps the most unrealistic aspect of *Silent Witness* is, she says, Ryan's involvement with every aspect of a case. That just doesn't happen. "In real life we don't go and visit prisoners or get involved in the investigation side."

Anne Pember, 49, one of about six female coroners in the country, agrees with Whitwell that her role is much more specific than any television drama would suggest. Pember, who used to work as a solicitor in a magistrate's court, says, "In *Mortimer's*

Law

they portray the coroner as

a detective as well which is total-

ly unrealistic." As coroner for Northamptonshire, Pember has to assess the evidence provided by the police and the pathologist, hold an inquest and on the strength of their information offer a verdict. "It can be very sad

forthright about the emotional effects of working in a forensic capacity. She can still remember vividly her first murder victim. "I saw somebody who'd been shot and he was a great villain. My first thought was how can somebody actually do this to somebody else. His brains had been blown out

police on whether the circumstances seem accidental.

Like Whitwell, she feels that working with the living can be more stressful than examining the dead. "People often say, 'Gosh that must be an awful job' and I guess it is in the eyes of the public. But what's worse for me is

come to define this female genre. Interestingly, Patel feels the male

medics probably tend to get more involved. "Women in this work are better at coming away and talking about it. It's the men, maybe, who are more likely to take it very seriously."

From an outsider's perspective

it is hard to comprehend how

these professionals can maintain

distance and objectivity after

some of the horror that they witness.

But Patel explains: "It's not

usually the violence of the crimes

that's so upsetting. It's the circum-

stances of how they live and

what a lack of support they've had."

She describes one case

where a father hanged himself

soon after discovering his ben-

fits had been stopped. "It wasn't

anybody's fault but what a sad

waste of life that was. Yet it's his

wife who has got to go living with it. It sounds awful but the

dead are dead so the real sadness

is with those who are left behind."

Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Although much of her time is

spent dealing with victims of sex-

ual abuse and rape, she is called

to certify death about once every

two months. She also advises

knowing patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If I see a one-

off case it doesn't have the same

devastating effect."

Dr Patel, in contrast to her fic-

tional imitators, is decidedly warm

and cheerful about her work – nor

is she unhealthily preoccupied by

her cases, another feature that has

known patients in my general

practice who die. If

A generation  
gap that can  
be bridged

## Ronald Johnson

IN 1973, Guy Davenport wrote: 'Our greatest living poet [in the United States] is usually a name as unknown to the professoriate as to the corps of reviewers and the deaf custodians of the laurels. It was true of Whitman in 1873, and is true of Zukofsky in 1973.'

Louis Zukofsky (1904-1978) is still not yet canonised and demanded as the Sunday joint at the Muses' dinner table. But, those who read beyond the Ivy League Men About Town and the Combolt Metaphysicals are aware of his extraordinary skills and his ear for his second language, English. His first was the Yiddish of the slums of the Lower East Side of New York City early in the century.

The poet who replaced Zukofsky in Professor Davenport's pantheon was Ronald Johnson. The professor will, again, be absolutely in the dark. And few in Britain will know him either, though he spent years in England in the 1960s and wrote one of the best 'English' poems of the time, *The Book of the Green Man*, published by Longmans in 1967.

Ronald Johnson was born in 1935, in the small, ordinary, artless town of Ashland, in south-western Kansas. Some of the names of places in that part of the prairie make them more exotic than the truth: Butter-milk, Bloom, Protection, Acres, Moscow, Ulysses, Liberal, Kismet, Kismet, Kansas—it's hard to beat. His father managed a lumber yard, as his father had before him. The family moved to Topeka, the state capital. He spent a couple of years at the University of Kansas and concentrated on English courses. He did two years of national service in the army, in Georgia, Arizona and California.

I met Ronald Johnson in Washington DC at the beginning of 1958. I was using the proceeds of a Guggenheim Foundation grant to read in the Library of Congress for six months, and to publish two early Jargon Society books: *Letters*, by Robert Duncan, and *Overland to the Islands*, by Denise Leverton. One evening I went with the literary critic Marius Bewley to visit a pianist friend who lived in the house of Mrs King-Smith, a notable hostess of the time. Another roomer in the house was Johnson. He was handsome, red-haired, feisty, ebullient; and clearly very bright. The friendship was immediate, though he was not at all sure that the new book of Denise Leverton I was clutching and showing off contained 'real poems'.

We joined forces. And I became a mentor, just enough older for that relationship to work. We moved to New York and I worked at the famous 5th Street Bookshop in Greenwich Village, while he completed a BA degree at Columbia College. We spent a lot of time at the Cedar Bar on University Place with friends like Joel Oppenheimer, Franz Kline, Dan Rice, Fielding Dawson, Gilbert Sorrentino, Esteban Vicente, many of whom I'd known from my earlier days at Black Mountain College. And we visited non-bar-type writers like William Carlos Williams, Louis Zukofsky and Edward Dahlberg.

I've always liked to play cicerone and plan itineraries and rambles. In the summer of 1961, Johnson and I hiked the Appalachian Trail from Spring-

er Mountain, Georgia to the Hudson River in New York, some 1,447 miles. Perfect training for poets: learning to attend the names of birds and plants and stars and trees and stones.

The summer of 1962 I was a writer-in-residence at the Aspen Institute for Humanistic Studies in Colorado; and Johnson had his first culinary job, at the Copper Kettle Restaurant. In the autumn of 1962 we headed for England and walked five weeks in the Lake District. On the Sunday of the weekend of the Cuban missile crisis the poets spent the day trying to locate the graves of Beatrix Potter in Near Sawrey and Kurt Schwitters in Ambleside—and with M.R.K. Fisher after her best.

We met the extraordinary writer and illustrator Barbara Jones, and rented a four-room flat in her house in Well Walk, Hampstead. (It was 12 guineas a week.) There were parties with friends of Jones's like Olivia Manning, Kay Dick and Stevie Smith. We met other London people through our bookseller friends John Sandoe, Arthur Uphill and Bernard Stone: Adrian Mitchell, Mervyn Peake, Christopher Middleton, John Wein, Michael Hamburger, Paul Potts, Aneim Holla, Christopher Logue, Tom Raworth, Eric

cisco with some mysterious amoros. He was 32 years old and wanted more space between himself and the perils of rustic living and Kansas, the Sunflower State.

He led a hand-to-mouth existence in San Francisco for about 25 years and we saw each other very rarely. He would report that he was bartending in a club for bikers and leather boys; or, that he had established a little catering business. He published a few poetry books and four excellent cookbooks: *New and Old Southwestern Cooking* (1985), *The American Table* (1988), *Simple Fare* (1989), *Company Fare* (1991). *The American Table* is a classic work, right up there with M.R.K. Fisher after her best.

Occasionally he would get a semester's teaching job: at the University of Kentucky in 1971; at the University of Washington in 1973; at Stanford University in 1991; and at the University of California, Berkeley, in 1994.

Now and then he would be helped financially by statelyards like Donald B. Anderson, Dorothy Neal, James Laughlin, Gus Blaissell and Guy Davenport.

For over 20 years Ronald Johnson composed and fitted together an architectural poem in 99 sections called *Ark* (an edition appeared in 1996). It is in the traditions of Ezra Pound, Charles Olson, Louis Zukofsky and Robert Duncan. It is a formidable achievement and it will require readers not easily daunted, who have untrammelled imaginations. Thnn Gumm and Robert Creeley are two of *Ark's* champions. They both point out that this is an aesthetic work, not a didactic one, and there is much pleasure to be gained. William Blake is there; the Land of Oz is there; the Bible is there; Simon Rodin's Watts Towers are there.

Of *The Book of the Green Man* Christopher Middleton, who instigated its publication, wrote:

This is the work of a young poet from Kansas who spent a year in England during 1962-63. It is a remarkable piece of work. The surprise is this: he presents an image of England, or, to be precise, of sundry English scenes, with a vividness and strangeness beyond the reach of any English poet, and unknown, I venture to say, since the days of Blake, Calvert and Palmer. Ronald Johnson has unearthed an England which most people have forgotten.

Here is part of the ecstatic reverie (at Samuel Palmer's Shoreditch) with which *The Book of the Green Man* concludes:

I walked up to the CLOUD  
& peal after peal  
rang out of earth.  
First, stones  
underfoot  
in a sound like muffled  
sleep-bells.  
Then the roots of the trees  
clanged:  
rocks, rocks, blackbirds. Cuckoos awoke  
in the trees  
— earth-worm & mole & turtle —  
all danced to the thunder,  
the peal & thunder.  
A bell & clanger  
came out  
in diapason — a dissonance  
& musical order.

ROOKS, ROOKS, BLACK-BIRDS, CUCKOOS.

EARTH-WORM & MOLE & TURTLE.

Jonathan Williams

Ronald Johnson, poet and cookery writer; born Ashland, Kansas 25 November 1933; died Topeka, Kansas 4 March 1998.

### BIRTHS, MARRIAGES & DEATHS

#### DEATHS

BRACKEN: Catherine Philippe (Kathy), died on 11 March, after a long illness. Sadly missed by all the family. Funeral private.

#### IN MEMORIAM

HILL: Robert. Died 18 March 1997. Husband of Margaret. Father to Jane, Margaret and Douglas. Much loved and sadly missed.

ANNOUNCEMENTS FOR GAZETTE BIRTHS, MARRIAGES & DEATHS (Births, Adoptions, Marriages, Deaths, Marriage services, Weddings abroad, etc. in America) should be sent in writing to the *Obituary Editor*, The Independent, 1 Canada Square, Canary Wharf, London E1 4DE, telephoned to 0171-292 2010, and faxed to 0171-292 2010, and are charged at £4.30 a line (VAT extra).

OTHER Gazette announcements (notices, functions, forthcoming marriages, Marriages must be submitted in writing (or faxed) and are charged at £6.00 a line, VAT extra. Please include daytime telephone number).

The OBITUARY e-mail address is obituaries@independent.co.uk

ROYAL ENGAGEMENTS

The Queen, Prince Charles, Thomas Guy House, Guy's Hospital, London SE1.

Changing of the Guard

The Household Cavalry Mounted Regiment takes the Queen's Standard at Horse Guards on the Queen's Guard, 11th March. The Queen's Guard, 11th March, will be provided by the Household Cavalry.

### BIRTHDAYS

Le-Gas Sir Peter Beale, Chief Medical Advisor, British Red Cross, 64; Professor Alexander Boksemberg, Particle Physics and Astronomy Research Council Senior Research Fellow, London, Cambridge, University and London University, 62; Major Sir David Butter, Lord-Lieutenant of Perth and Kinross, 78; Mr James Conlon, conductor, 47; Mr Pat Edery, jockey, 46; Mr John Fraser, actor, 67; Sir William Fraser, former Principal and Vice-Chancellor, Glasgow University, 69; Mr Peter Graves, actor, 72; Sir Peter Hamrop, former senior civil servant, 72; Mr Peter Higgins, snooker player, 49; Mr Patrick Kavanagh, former Deputy Commissioner, Metropolitan Police, 75; Mr Kenny Lynch, singer and actor, 59; Mr Paul Marsden MBE, 30; Mr William Pickett, singer, 57; St Fidel V. Ramos, President of the Philippines, 70; Professor Sir Gordon Robson, Professor of Anaesthetics, London University, 77; Mr Alan Sapper, founder and chief executive, Interconnect AV, 57; Mr Barry Shaw, Chick Considine, 57; Mr Nicholas Snowman, chief executive, St. Francis Bank Centre, 54; Mr Ingemar Stenmark, skier, 42; Professor Eric Suderman, John 15th Chancellor, University College of North Wales, 68; Dr John Updike, novelist, 66; Dr Michael von Clemm, President, Templeton College, Oxford, 63.

### ANNIVERSARIES

National Gallery: Lynda Stephen, 'Painting and Sculpture' (55); Michelangelo, painter-sculptor, 1pm; Carl Sagan, 'From Antiquity through the Centuries', 6.30pm (Patrick Marthasar Lecture).

Victoria and Albert Museum: Nancy Osborn, 'Liberation in Dress and Dressmaking 1800-1914', 2.30pm.

Beria, chief of the Russian secret police, 1899; Frederick Robert Donat, actor, 1905; Deedes St Edward the Martyr, King of the English, murdered 978; Ivan IV (the Terrible), Tsar of Russia, 1584; Philip Massinger, playwright, 1604; Henry Dyer (Martyr), Queen of the Holy Face, 1741; Sir Robert Walpole, 1st Earl of Orford, statesman, 1745; Laurence Sterne, clergyman and author, 1768; George I, King of the Hellenes, assassinated 1913; Farouk I, King of Egypt, 1965; Umberto II, King of Italy, 1983. On this day in Tolpuddle, Dorset, six farm labourers were sentenced to be transported for forming a trade union, 1834; the American Express Company was organised at Buffalo, New York, 1850; the planet Pluto was discovered, 1930; the first 'walk in space' from the Soviet spaceship *Vostok 2* was made by Alexei Leonov, 1965; 700,000 barrels of oil were spilled into the sea when the *Torrey Canyon* oil tanker grounded off the Cornish coast, 1967. Today is the Feast Day of St Alexander of Jerusalem, St Anselm of Lucca, St Cyril of Jerusalem, St Edward the Martyr, St Frigidian or Frediano and St Salvator of Horta.

### LECTURES

National Gallery: Lynda Stephen, 'Painting and Sculpture' (55); Michelangelo, painter-sculptor, 1pm; Carl Sagan, 'From Antiquity through the Centuries', 6.30pm (Patrick Marthasar Lecture).

Victoria and Albert Museum: Nancy Osborn, 'Liberation in Dress and Dressmaking 1800-1914', 2.30pm.



'Queen of the Leica': detail from Bing's Paris, 1932

Photograph: from Women Photographers (Virago), 1990

## Ilse Bing

IN 1931, Ilse Bing made a self-portrait. Gazing into a mirror, she held a Leica camera up to her eye. The room she sat in to record this moment of solitary contemplation was, like her Leica, utterly contemporary. Its bare walls and wooden surfaces bore the hallmark of the carefully constructed environment of the New European Woman.

Bing was born in Frankfurt am Main in Germany in 1899. She studied mathematics and art history in Frankfurt, and later at the University of Vienna.

Though she took up photography for practical purposes—to make illustrations for her university thesis—her talent was soon noticed, and her pictures published in daily newspapers.

By 1929, she was photographing full time, using the new miniature Leica camera to produce pictures which explored the cityscape of pre-war Germany.

The critic Nancy Barrett has observed that Ilse Bing was:

a pioneer of the new technology, cropping minute fragments from

turning the burgeoning modernism of the new architecture. But, like many Jewish artists, she was soon forced to leave Germany, emigrating to Paris in the 1930s. There she was an instant success, working in photo-journalism, fashion and portraiture.

Her clients were the most innovative of the Parisian scene, *Vu* magazine, *Arts et Métiers Graphiques*, *Photographic* and *Harper's Bazaar*. She exhibited at the Galerie de la Pléiade and at the American Library in Paris. In 1932, she was invited by the influential Julian Levy Gallery to take part in the exhibition "Modern European Photography", followed five years later by the landmark show "Photography 1893-1937" at the brand new photography department of the Museum of Modern Art in New York.

In 1932, wandering the streets of Paris, Bing caught sight of a ripped cinema poster on the side of a decrepit building. The face of the Hollywood film star Greta Garbo was torn until only the lips and chin were showing.

Bing's photograph of this typically urban scene was more than a skilful photojournalism, dwelling as it did on popular iconography found and reclaimed as part of a high art agenda.

Both Jewish, Bing and her husband, the pianist Konrad Wolff, were in constant danger as Nazi power increased across Europe. In 1940 they were interned in the Gurs concentration

camp, and the following year they emigrated to the safer haven of the United States.

Bing was already well known in New York, and her career continued uninterrupted, with commissions from *Town and Country* magazine, *Two to Six and Baby Talk*. Away from the intense excitement of inter-war Europe, she gave up her Leica for the larger format Rolleiflex, and her work became bigger, more formal and considered.

She began to work in colour, making her own prints and becoming involved in the new technology of colour work.

But Bing was becoming dissatisfied with photography. The US publishing industry was changing rapidly, young photographers were coming along, and the sexual equality of Weimar Germany and pre-war Paris was eroded as masculine codes began to dominate the photographic world.

So Bing, like many brilliant

women of her generation, gave up photography, commenting:

It may be difficult for a photographer with high skills and high reputation to give up as soon as new works do not represent new ideas. But the task of any artist may be defined as the revelation of something old under a new light. Repetition, even at the highest level of craftsmanship, is empty; therefore, SAY IT ONCE!

Throughout the 1970s, 1980s and 1990s her work was exhibited in Europe and the US. The reclaiming of the history of women's photography in the mid-1980s assured that the careers of European émigrés like Bing and her near contemporaries Greta Stern and Ellen Auclair became fixed forever as undisputed pioneers of a very new photography.

Val Williams

Ilse Bing, photographer; born Frankfurt am Main, Germany 23 March 1899; married 1937 Konrad Wolff; died New York 10 March 1998.

## Wally Malston

NOTHING is more ephemeral than the topical one-liner, but Wally Malston deserves to be remembered as one of its most prolific and skillful practitioners. For four decades he transmuted headlines into gags for Bob Monkhouse, Jimmy Tarbuck, Des O'Connor, Ted Rogers, Bruce Forsyth, Mike Yarwood, Ross Abbott, Little and Large, David Frost and Freddie Starr.

As only child, Malston moved with his parents from London to Cowes, on the Isle of Wight, when his father found work there in the shipyards during the Second World War.

As a teenager, Wally developed a stand-up comedy act and entered various talent contests on the Isle of Wight. "Most of my material was nicked from the radio," he admitted. "But I found I got even bigger laughs with the gags I made up myself."



Malston: a stickler

Knight went to work for the comedian Freddie "Parrot-Face" Davies. Malston began writing on his own, fashioning gags for Mike and Bernie Winters, Ken Dodd and others. After writing for Bob Monkhouse, Jimmy Tarbuck, Des O'Connor, Ted Rogers, Bruce Forsyth, Mike Yarwood, Ross Abbott, Little and Large, David Frost and Freddie Starr.

During his National Service in the 1950s, Malston learnt a trade: stationed at Aldershot in Hampshire, he studied dentistry with the Royal Dental Corps. He became a dental technician, but wrote comedy material in his spare time with Gary Knight. When

In the 1970s, while Malston was working on an edition of the sitcom *On the Buses*, his co-writer was Garry Chambers, who was also writing for Bob Monkhouse. In 1987, when Chambers received an offer to work for Joan Rivers in Hollywood, he suggested Malston to Forsyth for the game show *Play Your Cards*

Right: Later Chambers and Malston collaborated on Forsyth's *Be! and Bruce's Price is Right*.

Malston was a naturally affable man—that is, until a comedian altered the wording of one of his lines. "He was a real stickler," said Ted Rogers. "No body could stickle quite like Wally!" Malston's brisk one-liners ideally suited Rogers's rapid-fire delivery, and the two worked together successfully on Yorkshire Television's *3-2-1*. In the late 1970s and early 1980s, Rogers toured with Bing Crosby, and Malston went along, creating new material nightly.

In 1976, when the Crosby troupe performed in New York at the Lincoln Center, Rogers created a minor furore when he described the ex-President Richard Nixon as "the only US President lying in state while he was still alive". As Nixon's

daughter happened to be in the audience, the line was widely quoted in the American press. "Wally was tickled pink by the notoriety," says Rogers.

Malston developed stomach cancer in 1997, just after he finished the last series of <

# THE INDEPENDENT

EDITOR: ROSIE BOYCOTT; EDITOR IN CHIEF: ANDREW MARR  
DEPUTY EDITOR: CHRIS BLACKHURST  
ADDRESS: 1 CANADA SQUARE, CANARY WHARF, LONDON E14 5DL  
TELEPHONE: 0171 293 2000 OR 0171 345 2000  
FAX: 0171 293 2455 OR 0171 345 2455  
THE INDEPENDENT ON THE INTERNET: WWW.Independent.CO.UK

## Europe must not outrun the people

WHEN people talk about a "two-speed" Europe they are usually referring to the real or imagined division between those countries speeding towards greater union and those - i.e. Britain - determinedly applying the brake.

Europe is indeed running at two speeds, but in a different sense. At one level ministers meet and deliberate - about enlargement, about the redistribution of regional funds, about the launch of a single currency. But this ministerial superstructure still has a flimsy base. At the level of real lives, Europe still does not figure much. On the ground people think nationally about politics and politicians. Or not: turnout in the French regional elections the other day was poor, with as many as four out of ten voters abstaining.

In this country, we too have our problems with apathy, especially in local politics. But national government does seem to reflect reasonably accurately the rumbling Euroscepticism among the population at large. For all the rhetoric from Messrs Blair, Brown and their colleagues, it is not clear, three months into the British presidency, that this government is really very different from its predecessor in terms of core policies on Europe. Meanwhile, the gap between popular sentiment and European policy is probably more marked in those countries, France and Germany especially, where official enthusiasm for the project of European union is at its greatest. It is hard, looking at Germany in this election year (the contest for control of the lower chamber of the German parliament is set for October), not to be anxious about the distance between popular feeling and the policies likely to be adopted, whoever wins.

The German public is full of misgivings about losing the mark. That's not surprising: it has been the great symbol of post-Nazi German identity. For the Germans, the domestic strength of the mark - backed by a federal constitution and an independent central bank - declared that old history had ended and a new, honourable German history had begun. A clear majority of Germans remains unconvinced that peaceful relations or better trade with neighbours demands the abolition of the Mark.

Germans admire the consistency and fortitude shown by successive French administrations in backing a strong franc, but that does not convince them that monetary wedding bells ought to be ringing yet. As for the Italians, even Chancellor Kohl, the arch-enthusiast for European monetary integration, has found it hard not to patronise the Prodi government. Whatever it has accomplished in terms of technical preparation for EMU, neither Italian party politics nor that country's economic constitution yet look fit for the long haul.

Yet here comes Gerhard Schröder charging up the polls as the Social Democrats' standard bearer in the federal elections and he turns out to be no people's tribune in the matter of Germany and Europe. He is a strong candidate for a number of reasons, several of them negative. Helmut Kohl, however much Germans respect his achievement over unification, has been in office too long; he has presided over policy failure - for how else can 5 million unemployed be described? The Chancellor has seemed incapable of responding to widespread criticism of sclerosis in Bonn.

We must not get carried away by the Germans' enthusiasm for the Blair phenomenon. Herr Schröder may be less "left-wing", less close to the trade unions than his SPD rival Oskar Lafontaine, but that does not make any less a corporatist, a consensus builder. He is in many ways an admirable product of the solid and solidarist nature of post-war German democracy. There is nothing in his record, as a successful SPD leader in Lower Saxony, to suggest he wants to break up the formula which has carried Germany through the half century. He is a "Blairite" only insofar as he promises political renewal in Bonn/Berlin. In electing Herr Schröder, the Germans would, in many senses, be choosing a conservative - no radical thoughts from his camp about the federal constitution.

The domestic political choices of the Germans are, strictly speaking, none of our business. What ought to concern Britain, as fellow members of the European Union and as, in a symbolic sense, guarantors of the post-war settlement, is the legitimacy of decisions taken by national leaders. It is in our interests, and the interests of liberal democracy that as the German election campaign gets into gear, Germans are given a convincing sense that their preferences and their anxieties - especially over European integration - are recognised and reflected in their choice of candidates.

## Passport to big savings for taxpayer

HERE'S a question of the "why do we never see baby pigeons?" variety. Why, at airports, do Home Office staff check your passport as you leave the country? What have immigration staff to do with emigration? Clearly you need a passport to get back in but what is the point of a fleeting inspection on the way out? Besides, the checks that are made are cursory and inconsistent. You do not have to show a passport to step on Eurostar. On the Channel ferries, passport control - if it exists - takes the form of showing what looks like a travel document in front of the person who collects the tickets. The whole abortive exercise costs £3m a year and even the security and intelligence services acknowledge that the system of outward passport control produces no data that cannot be got more effectively elsewhere.

Most of the above has applied for years. Under the Tories great play was made about sweeps and trawls through the government machine, efficiency reviews and so on. Yet the system survived. Till now. Labour seems to have seen the light. Jack Straw's Home Office has just announced it is abolishing outward-bound passport control. It is a welcome saving. But how many more redundancies and anachronisms are waiting to be discovered and removed, to the public benefit and the relief of taxpayers?



Waiting for the Dublin train at Killarney railway station, Co Kerry

## PICTURE OF THE DAY

Photograph: Brian Harris  
A 9x12 print of this photograph can be ordered on 0171-293 2534

### Iraq's agony

YOUR Iraq appeal has given me a sense of comfort that the people of Iraq are not forgotten.

I lived in Iraq for 12 years, through the Iran and Gulf Wars. On 2 August 1990, during my school holiday, I woke up to hear that Iraq had invaded Kuwait. The Iraqis I met could hardly believe what had happened or why. The events after that are like a very bad nightmare. The Iraqis have not yet woken up from it.

Sanctions were imposed, and all of us watched food and medicine becoming more and more scarce, more children becoming sick and dying, starvation becoming common. People began to aim for getting through one day at a time. Ambitions of a good education changed to ambitions of providing food and not sleeping hungry every night.

When the air-strikes arrived, slowly we could see the country collapsing. Civil buildings were bombed. Electricity, water and sewage works were bombed. Driving in the streets of Baghdad you lost count of the black cloths, with a soldier's name printed in white, hanging over the walls of houses, a custom in Iraq when a soldier dies. The Iraqi government later announced victory on national Iraqi television to the millions of people who were still crying over their dead loved ones.

With the destruction of the essentials of health through the bombing - electricity stations, water purification plants and so on - more and more children began to die of diseases like diarrhoea. Vaccines slowly disappearing, operations being carried out while the patient is conscious, due to lack of anaesthesia.

People in Iraq are still suffering under the regime and the sanctions, which have weakened the Iraqis and strengthened their oppressor. I pray no country will ever be like Iraq is now. That is why I welcome your campaign to raise money for the children.

PARIS DEAN  
University of Leicester

### Pension promise broken

THERE have been many reports on pension sellers who misled people. I cannot help comparing them with previous governments who took people's money with an agreement to provide them with pensions when they retired.

The agreement was that pensions would rise in line with the cost of living. It remained until the 1970s.

The link was broken by the Thatcher government. If a commercial pension provider had made the decision to change the terms of an agreement unilaterally, then any court in the land would have reversed that change. I wonder how the "New Labour" morality can correct this situation.

MABRAHAMS  
Hove, East Sussex

### Duty-free axe

GEOFFREY MARTIN of the European Commission rightly points out (letter, 13 March) that EU finance ministers unanimously agreed in 1992 that duty- and tax-free sales within the EU should be abolished from 30 June 1999. But he omits to mention three things.

The decision was made against the background of an expectation of at least some degree of harmonisation of tax rates as part of the process of completing the single market. That has not happened; there remain massive differences in excise rates and abolition of duty-free before that issue is addressed is putting the cart before the horse.

The warnings of job losses, damage to the regions and higher travel costs come from a number of independent research studies. These were commissioned by the industry, but only because the Commission itself has consistently refused to undertake a study of the economic and social consequences of abolition, as

formally requested by the European Parliament in 1991.

Since 1991 no Commission has likewise made no effort to propose an alternative workable regime to duty-free. Hence the chaotic situation if duty-free is abolished.

This whole issue must be reviewed by EU finance ministers.

BARRY GODDARD  
General Secretary  
Duty-Free Confederation  
London SW1

ingly available to any of the general public who own a TV set or radio or who read books and newspapers. He also forgets that the initial derision heaped on, for example, Impressionism came as much from established art "experts" as the public. We only remember the minority of far-sighted critics who recognised that a major artistic movement had begun.

This comparison with engineering is interesting. Of course, an engineer is better equipped than a member of the public to ensure an aeroplane or car performs its main task of safe transportation. However, after the basic engineering framework is determined, public opinion, taste and aesthetics are at the forefront of subsequent considerations. That is called design.

JASON M REESE  
Lecturer in Engineering  
University of Aberdeen

### World in Action editor

FOLLOWING your report "World in Action editor steps down" (5 March)

I would like to make it clear that Steve Boulton's change of role had nothing to do with the recent court settlement in favour of Marks & Spencer. Steve Boulton was on holiday when the programme was transmitted and in his absence full responsibility for clearing it for transmission was taken by another executive on legal advice. It had been decided some time ago that the programme would require a fresh eye and a new editor.

In four years as Editor of *World in Action*, one of the toughest jobs in television, Steve Boulton led the team with courage and distinction. He is currently considering an offer of promotion within Factual Programmes at Granada.

ANDREA WONFOR  
Joint Managing Director  
Granada Productions  
London SE1

### Ballet at all-time low

I WAS intrigued to learn from David Lister ("Sell-off plan for the Royal Opera", 16 March) that the Royal Ballet is currently enjoying critical acclaim. The reports from your excellent dance critic Louise Levene paint a very different picture.

Nor is she alone in her opinion. Most long-term observers of the Royal Ballet would agree that under its current direction the company has reached an all-time low as far as repertory and standard of performance are concerned.

The overall technical level of dancing may have improved, along with that of virtually every other company in the world, but there are probably fewer really outstanding dancers than at any other time in the company's history and the choice of repertory can most kindly be described as timid.

It is true that ticket prices for ballet are lower than those for opera, but with top prices of more than £50, for most people it is still an expensive evening out and one which, unless something drastic is done soon, they are unlikely to repeat.

JUDITH CRUCKSHANK  
London EC1

### Music before image

YOUR article "String something simple" (12 March) prompts me, as one of the "grey-haired men in tail coats" (but definitely not constipated) to defend the "dusty quartet image".

We have always believed that our public come to hear the music, and so we strive to remove any distractions so that concentration can be focused where it ought to be, not on our "image".

The result: not too many glamorous engagements with "pop" stars but a rewarding life playing the music we love to loyal chamber music lovers.

PETER CARTER  
Allegri String Quartet  
London SW1

## The new Radio 4: all your questions answered by the other Jimmy Boyle



MILES  
KINGTON

OF ALL the changes to the face of Radio 4, the one that seems to have attracted the most attention is the brand new programme called "James Boyle Tries To Explain The Radical Changes We Have Brought to Radio 4 Which Are The Most Far-Reaching For A Generation. Even Though Nothing Has Really Been Altered Much", which is now going out daily on Radio 4.

If you have missed this programme and don't know when it can be heard because of all these changes to Radio 4, I am bringing you a transcript of this morning's programme, which was a repeat of yesterday's...

Caller: Mr Boyle, I like all your changes and I think you've brought a breath of fresh air to the schedules...

Boyle: Thank you...

Caller: But there is one change that puzzles me. I am a great fan of *The Archers* and I don't understand why you have moved it

to a 2am slot. For many of us, this is the middle of the night.

Boyle: Well, I can understand that a lot of regular *Archers* listeners will find this move difficult to begin with, but there is a good reason for it. You see, our research shows that audience figures take a sudden and very disappointing dip after midnight, until sometimes we have very low ratings indeed at the 3 or 4am mark. Our research

also shows us that *The Archers* is one of the most popular programmes on air, with one of the loyalest audiences, so our strategy is to place *The Archers* at a time when it will prove a lure, not only to stay up late, but to carry on listening to the next programme.

Boyle: As a matter of interest, what is the next programme?

Boyle: *The Shipping Forecast*.

Caller: Why couldn't you leave *The Archers* where it is and move the *Shipping Forecast* to a daytime slot?

Boyle: Because our research shows that the

audience for the *Shipping Forecast*, which is very small but loyal, prefers to listen in the middle of the night.

Caller: Why?

Boyle: To keep awake and prevent their ships from running into things and sinking. Next?

Caller: Mr Boyle, you have said publicly that Radio 4 listeners are choosers. They are selective.

Boyle: That is so.

Caller: You have also said that you want to lure Radio 4 listeners to listen to certain slots by danging popular programmes in front of them so that they will listen to the succeeding programmes.

Boyle: Certainly.

Caller: How can Radio 4 listeners be choosers AND easily lured? It doesn't make sense.

Boyle: Well, our research shows that Radio 4 listeners come from the upper age end of the population. They are, to put it in English, older. This means that they can't move

as fast as the rest of us, so when their favourite programme ends, it may be four or five minutes before they have clambered or manoeuvred their way across the room to the radio. By that time they may have got interested in the next programme.

Caller: Or, of course, forgotten what they were coming across the kitchen to do, and go back again without switching off.

Boyle: I'm glad you said that. I didn't feel it was right for me to say so. Next?

Caller: Mr Boyle, are you the same Jimmy Boyle from Glasgow who was put in prison for murder and then became a sculptor?

Boyle: No, I don't think so.

Caller: Is that why you kept your name as James rather than Jimmy? To avoid confusion?

Boyle: Yes. We've done a lot of research into this one, and we found that people didn't particularly want Radio 4 run by an ex-murderer and sculptor. Next, please.

Boyle: No, I don't think so.

Caller: Is that why you kept your name as James rather than Jimmy? To avoid confusion?

Boyle: Next!

Caller: Until recently I was working in Radio 4 programme production, but I was made redundant to help pay for all this re-vamping of Radio 4...

Boyle: Next!

Boyle: Our research shows that it is one of the most popular programmes on air.

Caller: Might it not be that it is only the listening slot that is popular? Might it not be that people tend to switch on the radio for the news, weather etc, more at that time than any other and will listen to anything that happens to be on, whether it is the *Today* programme or not? Might I also suggest that if the *Today* programme were truly popular, people would call it *Today*, and not the *Today* programme? Might I suggest that you try moving the *Today* programme to the *Shipping Forecast* slot and see which gets the better audience?

Boyle: No, you may not. Next!

Caller: Until recently I was working in Radio 4 programme production, but I was made redundant to help pay for all this re-vamping of Radio 4...

Boyle: Next!

Caller: You can get a transcript of this programme if you send lots of money to the BBC.



BUSINESS & CITY EDITOR, JEREMY WARNER  
NEWS DESK: 0171-293 2636 FAX: 0171-293 2098 E-MAIL: INDYBUSINESS@INDEPENDENT.CO.UK  
FINANCIAL JOURNAL OF THE YEAR

## Booker chief leaves after second profit warning of the year

By Nigel Cope  
City Correspondent

THE CHIEF executive of Booker, the struggling cash and carry group, is to leave the company after it issued its second profits warning of the year yesterday.

Charles Bowen, who has overseen a dramatic decline in Booker's fortunes in recent years, has already given up all his executive responsibilities and could be in line for a pay-off of more than £600,000 under the terms of his two-year rolling contract. He was paid a salary of £315,000 for the year to 1996, the last year for which details on directors' pay are available.

"The company has underperformed for years and he has paid the price for that," said one analyst. According to Booker's finance director, John Kitson, Mr Bowen was asked to leave by a unanimous decision of the rest of the board after it became clear the group was going to have to announce another profits alert.

Mr Bowen was responsible for the £26m acquisition of rival cash & carry firm Nurdin & Peacock 18 months ago. The integration has been poorly

handled and since then Booker has issued four profits warnings. "The erosion of shareholder value has been quite remarkable," said one analyst. Booker shares stood at 470p at one point in 1994. Yesterday they closed 4p lower at 240p.

A strategic review of Booker's operations will now be undertaken by Alan Smith, the Storehouse chairman, who moves up to become deputy chairman. He will report on the review's findings at the annual meeting in June.

Analysts expect it to recommend the sale of all Booker's businesses apart from cash and carry and food distribution. Businesses up for sale could include UK and American agriculture such as salmon farming, a fish processing business and the prepared foods operation which makes sandwiches and ready-made meals for supermarkets.

Analysts said these interests could fetch a combined total of around £250m which could be returned to shareholders. They expect a cut in the dividend and some say the shares could be worth close to 300p.

The slimming down of Booker follows similar moves by

the strength of sterling has also affected salmon prices and therefore profits. Booker said it expects 1998 profits to be "somewhat below market expectations". Analysts cut their forecasts from as high as £110m to £90m.

Commenting on the company's poor run, chairman Jonathan Taylor said: "1997 has been a difficult year for Booker. The board is now implementing a strategic review to ensure that shareholder value is significantly improved as we go forward."

The full year to December 1997 showed a fall in profits from £92.7m to £76.1m. This was due to a profits shortfall in the fourth quarter at the cash and carry operations. Problems included the failure of a supplier's computer system, the timing of the increase in tobacco duty and unforeseen changes in the sales mix at the former Nurdin branches.

DIAGEO, the world's largest drinks group formed by the merger of Grand Metropolitan and Guinness, yesterday outlined an ambitious target to become one of the world's top five companies by the year 2002. Chief executive John McGrath (above) said Diageo's market capitalisation of £24bn made it one of the biggest companies in the world. He wanted to be alongside Coca-Cola and Philip Morris in terms of returns to

shareholders. Each divisional head has been dispatched to come up with ways of reaching that goal. Mr McGrath was speaking at the maiden financial results of the two companies, which formally joined forces on 12 December. The six months to 31 December showed pre-tax profits before exceptional of £1.2bn, up 10 per cent on last time. Full-year profits were up 9 per cent at £1.95bn, broadly in line with analysts' forecasts.

## First Leisure appoints independent directors to stave off investor revolt

By Andrew Yates

MICHAEL Grade, the former media mogul who now chairs First Leisure, yesterday caved into pressure from large shareholders to reform the antiquated board structure of the bars to bowling group.

First Leisure has been forced to bring forward plans

to appoint two new independent non-executive directors to the board to stave off a potential shareholder revolt over a series of controversial measures including Mr Grade's own £4.5m, four-year pay deal.

However, some of First Leisure's largest institutional shareholders remain angry that Mr Grade has ignored their demands for a more far-reaching shake up of the board and believe the plans do not go far enough to placate their growing concerns about the way the group is run.

First Leisure plans to appoint

the new non-executive directors within 12 months, to replace two, as yet unspecified, existing non-executive board members. The

move is designed to assuage shareholder concerns that the current non-executive directors lack independence.

The concessions were enough to ensure that three non-executive directors including Joe Bollom, David Ducks and Sir John Woolf were re-elected to the board. However, they only narrowly

won a poll at the agm, with more than 45 per cent of the shareholders showing their dissatisfaction with First Leisure by voting against them. The three non-executives have attracted specific criticism from institutional shareholders and are candidates to lose their positions when the new directors are appointed.

shareholders. Each divisional head has been dispatched to come up with ways of reaching that goal. Mr McGrath was speaking at the maiden financial results of the two companies, which formally joined forces on 12 December. The six months to 31 December showed pre-tax profits before exceptional of £1.2bn, up 10 per cent on last time. Full-year profits were up 9 per cent at £1.95bn, broadly in line with analysts' forecasts.

## Head of investment trust trade body makes early exit

By Andrew Verity

MICHAEL Hart, the head of the investment trust trade body which has been mired in controversy in recent months, suddenly resigned yesterday after less than three months in the job.

Mr Hart resigned as director-general of the ATTC, whose members manage £62bn of in-

## Mixed signs on economy greet Brown's Budget

By Diane Coyle  
Economics Editor

repayment in March to February amounted to £6bn, compared with a £14bn PSBR the previous year.

Part of the explanation for the recent stellar improvement has been the switch to self-assessment, which has speeded up income tax receipts. These were 42 per cent higher in January and February than in the same two months last year, but will fall back in later months.

The figures had little impact on the financial markets, where all judgement was suspended ahead of the Chancellor's speech. Analysts said today's figures on average earnings and retail sales would be more important in the Bank of England's calculations over interest rates.

The unexpected repayment of debt, in contrast to an expected £2bn borrowing requirement last month, highlighted the healthy position of the government's finances. In the first 11 months of the financial year 1997/98 the government repaid £1.7bn excluding privatisation proceeds and the windfall tax, compared to an underlying Public Sector Borrowing Requirement of £18.1bn at the same stage last financial year.

However, other tax receipts are also buoyant thanks to the strength of the economy, and especially consumer spending, in the past year.

Just as important has been the Government's extraordinary control over expenditure. Spending by central government departments is actually lower than a year ago, at £263.2bn in April-February, down from £264.3bn in the same months last year. Even a traditional end-of-year spree will keep the total below the Treasury's forecast growth of 1 per cent.

Yesterday's inflation figures were less favourable, although the experts differed in their reaction.

The headline rate of retail price inflation edged up from 3.3 per cent to 3.4 per cent in February, while the target measure climbed from 2.5 per cent to 2.6 per cent.

INDEPENDENT

INDEPENDENT  
ON SUNDAY

## Jongleurs Comedy Clubs 2 for 1 ticket offer

The Independent and Independent on Sunday are giving readers the opportunity to enjoy the Jongleurs experience. We have arranged for a special 2 for 1 deal whereby readers will be entitled to one free ticket for each ticket purchased. The free ticket is to the same value as the bought ticket and for the same show. Also included will be free membership to Jongleurs Comedy Clubs worth £5.

Jongleurs currently has four comedy clubs and a further four will be opening soon. The 2 for 1 comedy card will be valid at all venues.

**JONGLEURS**  
COMEDY CLUBS

● Battersea - 49 Lavender Gardens, Battersea, London, SW11 1DJ ● Camden - Middle Yard, Camden Lock, Chalk Farm Road, London, NW1 8AB ● Bow - Bow Wharf, 221 Grove Road, London, E3 1AA ● Leicester - 30/32 Granby Street, Leicester, LE1 1PE

Opening in Spring/Summer 1998  
● Oxford - 3/5 Hythe Bridge Street ● Watford - 76 The Parade ● Southampton - 2/4 High Street ● Nottingham - Castle Wharf, Canal Street

### How to apply

Simply collect 4 tokens from the 7 we will be printing everyday until Saturday 21 March. Then, together with the coupon we will print on Thursday, Friday and Saturday, send with SAE to The Independent Comedy Offer, PO Box 6066, Tamworth, Staffs, B79 7XQ. Your 2 for 1 comedy card will then be dispatched to you. The offer is valid until 31 October 1998.



### Terms and conditions

The card entitles the bearer to one free ticket for each ticket purchased. The free ticket is to the same value as the bought ticket and for the same show. The card cannot be used in conjunction with any other offer. The card is non-transferable. The offer includes free membership for the card holder (value £5). Bookings are subject to availability. The free show on Saturday at Camden and Battersea are not included in the promotion. Advertised line-ups are subject to change. Tickets must be booked through the central box office on 0871 564 2500. When booking ask for the independent offer. Bookings are by credit or debit card only and are subject to a 5% booking fee up to a maximum of £5. Normal Newspaper Publishing plc terms and conditions apply.



## Texas Utilities pulls ahead in tussle for Energy Group

Texas Utilities raised the stakes in the battle for Energy Group by acquiring a further 7 per cent of the company, taking its holding to 22 per cent. Its brokers, Merrill Lynch, bought 37 million Energy shares to add to 7.5 million already held.

Texas, bidding £4.45bn, now owns shares worth £950m, making it unlikely the rival bidder, PacifiCorp, can acquire 80 per cent of Energy Group's shares - the threshold it would need to reach to consolidate the company for tax purposes.

### Lloyd's nets £1.16bn profit

Lloyd's of London, the insurance market, announced record pre-tax profits for 1997 of £1.16bn, including a net release of reserves totalling £149m. The overall profit for 1994, including a net release of reserves of £82m, was £1.01bn. Max Taylor, the chairman, welcomed the figures but said conditions had deteriorated since 1995.

### WPP Group snaps up S&J

WPP Group, the world's largest advertising and marketing company, has bought Smith and Jones Communications, a UK business-to-business agency specialising in hi-tech industries, for an initial consideration of £3.55m. S&J has more than 40 clients in the hi-tech sector, including Hitachi, Motorola, Sony and Fore Systems.

### Dorling Kindersley drops

The educational publisher Dorling Kindersley posted sharply lower profits and said that it faced a challenging year due to the pound's strength and the tough multimedia market. Pre-tax profits fell 40 per cent to £4.1m for the six months to 31 December.

### BT rings the changes

Bill Cockburn, who joined BT from W H Smith last year as managing director of its UK telecoms business, was appointed to the BT board. BT also announced the retirement of two non-executive directors - Bert Roberts, chairman of MCI, BT's one-time US merger partner, and Birgit Breuer.

### Courtaulds closes plant

Courtaulds is to close its Water Soluble Polymers business, based in Derby. The unit, which produces additives for food and other products, employs 70 people.

### TOURIST RATES

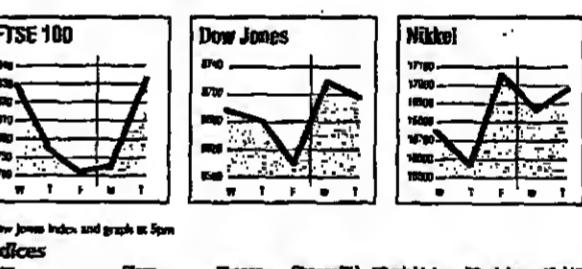
Australia (dollars)	2,407	Italy (lira)	2,922
Austria (schillings)	20.66	Japan (yen)	22,96
Belgium (francs)	60.64	Malta (lira)	0.6373
Canada (\$)	2,298	Netherlands (gulden)	3,316
Cyprus (pounds)	0.8558	Norway (krone)	12.35
Denmark (kroner)	11.28	Portugal (escudos)	299.41
Finland (markka)	8,9903	Spain (pesetas)	248.67
France (francs)	9,8565	South Africa (rand)	7.912
Germany (marks)	2,1464	Sweden (kroner)	12.93
Greece (drachma)	53.05	Switzerland (francs)	2,4049
Hong Kong (\$)	12.53	Turkey (lira)	379,302
Ireland (pounds)	1,0732	USA (\$)	1.6297

Source: Thomas Cook

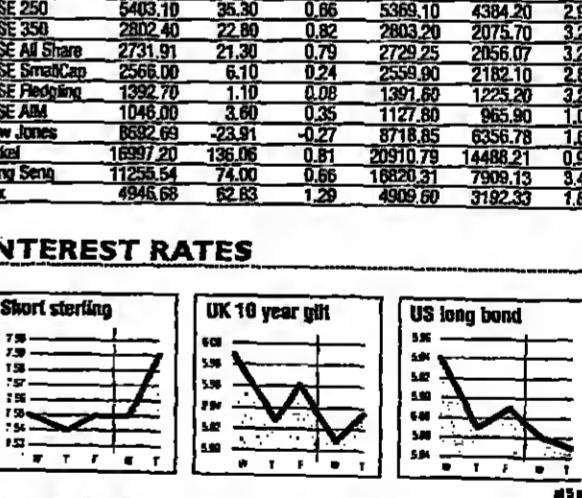
Prices for indication purpose only

### A day in the markets

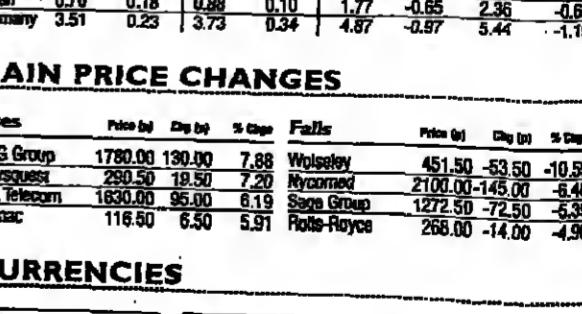
#### STOCK MARKETS



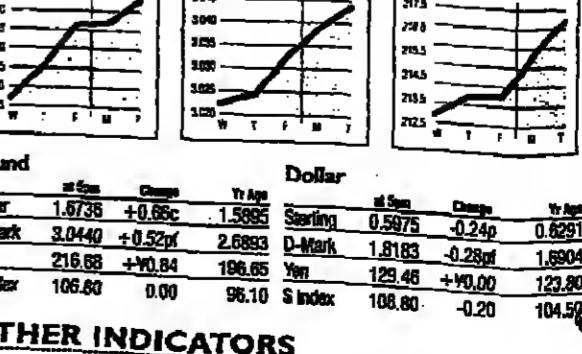
#### INTEREST RATES



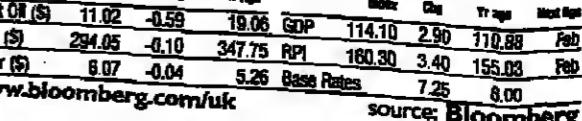
#### MAIN PRICE CHANGES



#### CURRENCIES



#### OTHER INDICATORS



Source: Bloomberg

I can't understand why you have moved it. Boats because our research shows that the

150 من الأجل

Weigh  
fears  
risk on  
health

## Investors bet on Ladbroke merger

### MARKET REPORT



DEREK PAIN

As the Chancellor, Gordon Brown, addressed the nation many in the stock market were placing bets on Ladbroke, the bookie and hotelier.

Perhaps the famous Cheltenham race meeting helped concentrate minds but, in heavy trading, the shares raced ahead 16.75p to a 337.75p peak.

Takeover talk was in the air. Although recent developments and noises in the US seem to reduce the chance of a deal with Hilton Hotel Corporation there still remains a sneaking feeling that Ladbroke will snaffle up to the American group.

Ladbroke owns the international Hilton hotel spread. HHC takes in the brand's US operations.

The two sides have discussed their future relationship. Although a merger makes sense it is known that HHC is nervous about the difficulties cross-border deals can create.

One possibility thought to be under consideration is, in effect, a merger of the two hotel portfolios with both HHC and Ladbroke having stakes in a stand-alone, possibly quoted, Hilton Hotel company.

Footsie was enjoying a gain of around 60 points, after 68.6, when Mr Brown launched into his Budget oration. When he sat down it was showing a 49.8 gain at 5,834.9, another closing high.

Supporting indices stretched to peaks with, once again, investors bargain hunting among the market's undercard. The small mid cap index reached 5,403.1 and the SmallCap index rose 6.1 to 2,566. Utilities were buoyant with Thames Water up 34.5p to 930.5p and ScottishPower a further 17.5p to 526p.

Once again financials were in form, helped by a US rumour that HSBC, owner of the Midland Bank, was thinking of bidding for the JP.

Morgan securities house, HSBC fell 32p to 1,853p but the latest merger tremors lifted Bank of Scotland 34.5p to 703.5p and National Westminster Bank 44p to 1,095p.

Wolseley, the building materials group, suffered a sharp fall, 52.5p to 451.5p, as analysts' downgrading following the interim trading report.

Bookers, the cash and carry chain, fell 6p to 241p following the latest profits warning.

British Airways continued to reflect hopes of Brussels clearance for its controversial American Airlines link, gaining 15.5p to 611.5p.

Colt Telecom's remarkable progress went on as the market sensed a takeover bid was inevitable. A US strike is now the expected development. The shares jumped 95p to 1,630p, yet another peak.

BT, on the back of SBC Warburg support, gained 13.5p to 625p.

Oriel, the insurance group

which has been involved in off-takeover talks for more than two years, rose 2p to 19.44p.

Oman National has had a 9.4 per cent stake for some time. The rest of the Al-Yousef-related holding appears to have been acquired in recent weeks.

Newcomers did well. Oxford Asymmetry, a biotech services group placed at 290p, soared to 421p in busy trading.

It is one of the few pharmaceutical newcomers to be in the black, producing a £2m profit last year.

Cemetone, soon to be called ITE, traded at 72.5p against a 47.5p cash call. The company was suspended while it took over ITE, organising exhibitions in the former Soviet Union. ITE is the creation of Laurie Lewis, founder of Blenheim, the exhibition group taken over by United News & Media.

Guardian IT reflected the astonishing strength of the intelligence technology sector

declared he is interested in no less than 19.44 per cent of the company.

Oman National has had a 9.4 per cent stake for some time. The rest of the Al-Yousef-related holding appears to have been acquired in recent weeks.

Newcomers did well. Oxford Asymmetry, a biotech services group placed at 290p, soared to 421p in busy trading.

It is one of the few pharmaceutical newcomers to be in the black, producing a £2m profit last year.

Fibernet, rolling out a national digital network, rose a further 17p to 310p and Jumbo International, the old Self-Sealing Systems, put on 3p to 26.5p. The shares have been as high as 36.5p.

Paragon, a financial group, jumped 47.5p to 210p. It has become fully listed following an acquisition and cash call.

Little Wyanastay Properties responded to director buying with a 10p advance to 145p.

Retailer Black's Leisure fell 19p to 462.5p on the likely delay in the floatation of Sports Division, the sports retailer, and a switch from buy to hold by SG Securities.

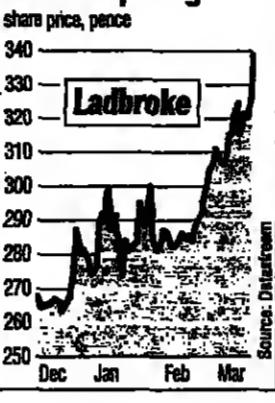
### TAKING STOCK

EXPECT corporate action soon at Thomas Jourdan, famed for its Corby trouser press. David Abel, the controversial businessman who used to run the Suter conglomerate, has reported half-year profits of just over £1m and the group has clearly been prepared to hit the acquisition trail. Since arriving, Mr Abel, who with friends obtained control by ousting the former board, has raised £5m through a rights issue. The shares rose 4p to 56.5p.

ENGINEER Ash & Lacy is undervalued, says stockbroker Albert E Sharp. At 167p the shares are on an "overly harsh" 60 per cent discount to the market; 50 per cent to the engineering sector and 30 per cent to the rest of the smaller engineers.

BRITISH Thornton, suspended at 25.5p, is paying £1.3m, mostly in shares, for Plantit, a developer of point-of-sale software. It placed 11 million shares at 20p. Share dealings should resume on 7 April.

### Share spotlight



Ladbroke

this year. Placed at 25p the shares closed on Monday at 411.5p and then went to 435p.

Arcor, the computer group lost some of its recent strength, falling 19p to 153.5p.

Its 38 per cent owned associate ARM Holdings, a maker of computer chips, is planning a London and New York share listing.

Fibernet, rolling out a national digital network, rose a further 17p to 310p and Jumbo International, the old Self-Sealing Systems, put on 3p to 26.5p. The shares have been as high as 36.5p.

Paragon, a financial group, jumped 47.5p to 210p. It has become fully listed following an acquisition and cash call.

Little Wyanastay Properties responded to director buying with a 10p advance to 145p.

Retailer Black's Leisure fell 19p to 462.5p on the likely delay in the floatation of Sports Division, the sports retailer, and a switch from buy to hold by SG Securities.

### Share Price Data

Prices are 10 pence except where stated. The yield is the latest twelve months' declared gross dividend as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, excluding extraordinary items but including dividends.

Other details: Earnings in £ million; P/E ratio based on 1997; P/E ratio based on 1996; AIM: CMC Prices are Bloomberg Generic.

Source: Bloomberg

The Independent Teleshare - Tel. 0891 - 201 200

To access Real-Time Share Prices, 24 hours a day, call 0891 - 281 200.

You will hear the current FTSE 100 Index followed by a Stock Market Summary Report.

You can interrupt at any time to hear a Real-Time Share Price by laying "plus a 4-digit 'code' from the settings on this page.

To get a Membership Number to set-up your Portfolio facility, please call the Help Desk on 071-729 3088 (8am business hours).

For help with our services, including the Portfolio facility, call the Help Desk on 071-729 3288.

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls 5p per minute.

FTSE 100 Index 472.47

FTSE 100 Index hour by hour

Open 578.11 Up 36.2 Up 50.1 Up 50.0 Up 53.2

9.00 581.3 Up 36.2 Up 50.1 Up 50.8 Up 60.7

10.00 582.5 Up 36.4 Up 50.2 Up 50.2 Up 49.8

800p calls









## Istabraq is the hero of Ireland's day

### Racing

By Richard Edmondson  
at Cheltenham

THE IRISH dream team won the Champion Hurdle on St Patrick's Day with Istabraq yesterday and immediately dedicated the race to the man who is permanently in their own dreams.

John Durkan was taken away by leukaemia in January at the age of 31, but one of the legacies left by the would-be trainer was the talent-spotting of Istabraq. He picked out the gelding for Ireland's premier punting owner, J P McManus, who was yesterday a winning comrade in arms with Ireland's top trainer, Aidan O'Brien, and the nation's leading jumps jockey, Charlie Swan.

Istabraq's 12-length thrashing of a huge field, Ireland's first success in the race since Dawn Run in 1984, would have been emotional enough in front of the thousands who had travelled over the water to back their favourite. The ouance of a much-missed man who was absent from the celebrations served to heighten the response. Swan himself was close to tears on his return and he only just managed to return his cracking voice. "This is for John," he said. "John Durkan."

"Today all my dreams come true. Aidan told me four days ago that he would destroy them and when he says that you

### Champion Hurdle

1 Istabraq (C F Swan).....3-1 Fav  
2 Theatreworld (T P Treacy).....20-1  
3 I'm Supposin (R Dunwoody).....6-1

Daisy looked ashamedly small and Shadow Leader bore a dark, serious face we were to witness for the last time.

Istabraq himself was camouflaged in the throng of contestants as he had no distinguishing jockey on his back. The six-year-old had worked himself up into such a state of high anxiety at this meeting 12 months ago that it was decided to let him circle in isolation in an effort to preserve his energy.

Swan and O'Brien discussed tactics in relaxed fashion and by the time the jockey eventually

joined his partner the only signs of equine worry were dark patches of sweat on Istabraq's neck. By his panicky standards, however, the hide was arid.

Istabraq won the Royal & SunAlliance Hurdle 12 months ago with a run from the back, but it soon became clear there was to be a different *modus operandi* this time. Lady Daisy darted into the lead, but the emerald green and gold hoops were soon in her slipstream.

I'm Supposin also brought his noble frame to the forefront and the congregation of the fancied horses was complete when Dato Star pulled his way into the vanguard. By the fourth flight, however, the Star was showing signs of eclipse. By the fifth his challenge was snuffed out as he performed a slithering split.

Three flights out, Swan decided it was time to stretch. I'm Supposin suddenly

did not look as convincing and Shadow Leader began to emerge as a more authoritative challenger. Two hundred yards later, however, his effort and his life were over. The young horse overjumped the last obstacle and his neck snapped like a brittle twig.

I'm Supposin paid for his effort to go with the winner and faded into third. Theatreworld, a stablemate of Istabraq, did as he had done last year and finished tigersharp into second. By that time, Swan was out of the saddle, his index finger waving to the crowd.

"This tops the lot," J P McManus said. "I hoped he would be as good as this." Aidan O'Brien added: "He did it so well. All year J P had this campaign for him and it's great for everybody. The lads and everybody did a great job getting him here to run this sort of race. It's splendid."

The hats went up, the crowd cheered and there was great appreciation of the Irish group at the base of the winners' amphitheatre. It was rather poignant that part of the applause was for someone who wasn't even there.

Racing, page 18

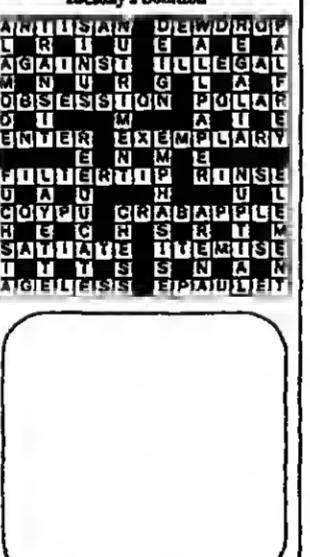
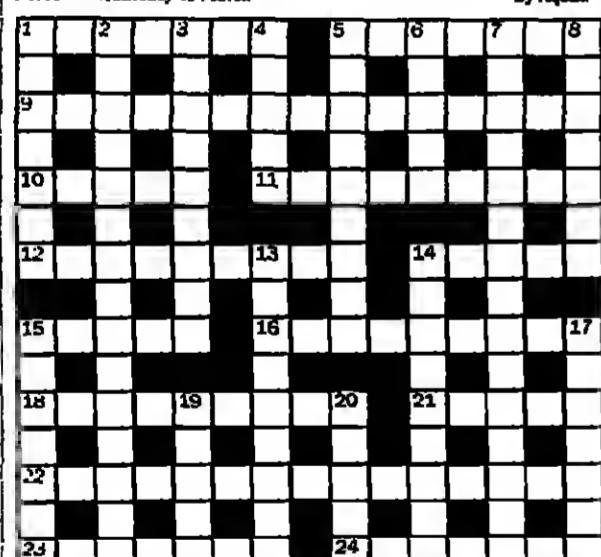
A racegoer tracks the progress of his selection yesterday

### THE INDEPENDENT CROSSWORD

No. 3561, Wednesday 18 March

By Aquila

Tuesday's Solution



#### ACROSS

- Wild caper, losing heart, takes name to heart (7)
- Suspicion of French dash at table (7)
- The sidebar lit badly in Cumbria (3,4,3)
- Maverick steer given new location (5)
- What makes a Wiltshireman sail? (9)
- Fitting out a rider (9)
- Female with a story that is endless and disastrous (5)
- It has to go back before the tenth (5)
- Stations of a minstrel on the move (9)

#### DOWN

- Supporter of mine in the gallery (3-4)
- Following a translation, they accept blame for shocking treatment (8,7)
- Sectional management of the Strand, we hear (9)
- One shows mark of a post-impressionist (5)
- In which Indian dishes may be presented? (5)

- Profit from new singles included in balance-sheet (9)
- The morning I leave to see a friend (5)
- Architect's car is damaged, leaving marks (15)
- Amount, say, of a sum poly worked out (7)
- Novelist right to be more serious? (7)

- His line is profitable, in the main (9)
- Club without power, say (5)
- Some may be out, taking tea here (7,8)
- Frank unaffected in bars? (7)

- Tenor included in setting of Estonian chants (9)
- Africa's seeming to produce stewed meat in sauce (9)

- Retired explorer with company in Virginia, for example (7)
- Bent spoons rare from a godparent (7)

- One shows mark of a post-impressionist (5)
- In which Indian dishes may be presented? (5)

## Take care of Gazza, Cruyff tells Hoddle

### Football

By Frank Malley

JOHAN CRUYFF has urged the England coach, Glenn Hoddle, to wrap Paul Gascoigne in cotton wool if he wants to win the World Cup.

On Monday, Gascoigne, unfit and struggling to come to terms with his impending divorce, was left out of Hoddle's squad to play Switzerland next week.

"Gascoigne is very important to England," the former Barcelona coach said. "He's a player like Cantona or Ginola. He doesn't need to play for 90 minutes. He can play half an hour here, and 30 minutes there. That's how Glenn Hoddle should use him."

"He's a great player, but he's over 30 now and has got to take special care. The World Cup is

a tournament of seven games in a very short period and he needs to be 20 per cent fit to face the pressures."

Cruyff believes Hoddle's decision to omit the Rangers midfielder from his squad to face the Swiss in Berne tomorrow week makes sense.

"He was right to leave Gascoigne out against Switzerland. Let him get back to full fitness," Cruyff said.

The former England manager, Bobby Robson, who took England to the World Cup semi-finals in 1990 when Gazza came of age, agreed.

"Gascoigne's a special kid," Robson said. "When everything's right and he's buzzing and on cue he's good to be with. The players like him and he produces. When it's the opposite to that he gets depressed and does things he shouldn't do."

"So many things have happened to Paul Gascoigne since

1991. Sometimes we mature at 21, sometimes at 43. But I really think he's seen the light now and seen the errors of his ways."

"He realises this will be his last World Cup. The boy has got great ambition. He was the best young player at Italy 90 and he will want to re-live that."

Cruyff and Robson, who were speaking at a World Cup Forum in London, also warned that this summer's finals could be wrecked by the decision of Fifa, world football's governing body, to outlaw the tackle from behind.

"The rule has no sense," Cruyff said. "It makes things more complicated for the referee. It could be a disaster for the World Cup."

Robson agreed, saying, "Fifa have taken on a very dangerous precedent. Tell Jack Charlton or Norman Hunter, or even Bobby Moore that you can't tackle properly from behind and win the ball."

### 'The Terminator' meets 'The Herminator'

A MEETING of giants was on the cards yesterday, at least in the ether. Austria's super-skier, Hermann Maier, was due to speak to Arnold Schwarzenegger by satellite link last night during a party to celebrate his return to his home town of Flachau.

The Austrian-born actor, best known for his roles in The Terminator films, was expected to greet the double Olympic gold medallist and World Cup champion, known as "The Herminator", one of several celebrities queuing up to offer congratulations to the former bricklayer who has given his country its first overall World Cup champion since Karl Schranz in 1970. President Thomas Klestil, as well as Schranz and the six-times overall World Cup champion, Anne Marie Moser-Proell, were expected to join 20,000 fans ready to welcome home Maier, who has generated an unprecedented

tor", one of several celebrities queuing up to offer congratulations to the former bricklayer who has given his country its first overall World Cup champion since Karl Schranz in 1970. President Thomas Klestil, as well as Schranz and the six-times overall

World Cup champion, Anne Marie Moser-Proell, were expected to join 20,000 fans ready to welcome home Maier, who has generated an unprecedented wave of excitement in a country where Alpine skiing is the national sport.

Houses in Flachau were decked out with flags and banners for the party, while an Austrian brewery has created a special Herminator Beer for the occasion, and "The Hermann Maier Song" is enjoying continuous airplay on national radio. The Austrian ORF television network scripted a live broadcast of a Uefa Cup football match to show the festivities.

### MORSE

Budget  
sensation!

For 66% of  
businesses.

66% of executives we polled expect to make IT budget savings by adopting Network Computing strategies.

And, contrary to popular belief, a staggering 93% have firm plans to use Network Computing - cost savings being just one benefit.

For full survey results and a copy of our executive briefing, Network Computing: the facts revealed, call 0800 22 88 88.



Morse Computers



Jumping for joy: Charlie Swan pilots Istabraq safely over the final fence and on to victory in the Smurfit Champion Hurdle during the first day of the Cheltenham meeting yesterday. The 3-1 Irish favourite finished 12 lengths clear of Theatreworld

Photographs: Phil Cole/Allsport

# become achievements

the most ambitious programme of employment opportunities our country has seen. From April 6, every young person unemployed for more than six months will have the offer of work or training. From now on, no young person will be without opportunity.

It is now time to take two further steps that broaden the scope and ambition of the New Deal. Steps which will open up new opportunities to every long-term unemployed adult in our country.

From June, every one of the 225,000 men and women who have been unemployed for two years or more can benefit from a £75-a-week employers subsidy which, for them, will be a passport to work. But the Government is determined to do more and we will offer – initially to 70,000 men and women – an individual service of expert help and advice to find work ...

Past employment programmes have helped men but often ignored employment opportunities for women. From this year, the New Deal will be extended to thousands of women previously denied chances of work. It will do this in three ways.

## Finding work

First, for a quarter of a million women, who are partners of unemployed men, we will offer expert and personalised help to find work through pilot programmes to be launched in every region of Britain at a cost of another £60m paid from the windfall tax. Second, Social Security Secretary Harriet Harman will announce next week that expert help will now be available on a national basis for all lone parents who want to work and whose children are at school. And we will implement a 12-week linking rule so that they do not risk losing benefits as a result of a brief period in work.

And third, partners of the unemployed under 25 without children, who are not allowed to register as unemployed, will now be given exactly the same opportunities for training and work that others under 25 now enjoy. With these proposals, equality of employment opportunity for women in our country is now far closer to becoming a reality.

Unemployment blights not just individuals' lives, but whole communities. So we need a New Deal for communities which recognises that the answer to social exclusion is economic opportunity. Working with the Social Exclusion Unit, the Deputy Prime Minister and other ministers will announce a series of pathfinder projects that will put employment at the centre of initiatives to improve education, health and other services in our poorest communities.

But there is one group of young people who are the most excluded and most discouraged: young people who find themselves homeless.

These vulnerable young people do not just need homes: they need jobs. So I want help to be linked to training and preparing them for jobs. Today £50m is being channelled ... to create a nationwide network of mentors ready and willing to help advise and motivate young people who could get back to work. But we must do more. Today, whilst many are unemployed, extensive skill shortages hold back our economy. I can also announce extra help in this Budget to promote investment in skills and lifelong learning.

But our priority must be to provide training in computers, high technology skills, not least to help prepare for the Millennium. Over £100m extra will be allocated in the coming year to tackle the skills gaps in Britain. Education and Employment Secretary David Blunkett will announce details of the new skills initiative for Britain.

Our review of post-16 grants and maintenance will already set down.

Having provided new opportunities for work, it is now time to create a modern tax system that will help create jobs. So I want to announce today a tax reform to cut the costs of hiring at the wage levels where most new jobs are created. I want to make it easier for companies who are prepared to take on young people looking for a first step on the ladder of employment; and to take on men and women who want to return to work.

The tax and benefit taskforce headed by Martin Taylor of Barclays will publish its full report this afternoon ... One of his central recommendations is for a simpler, fairer

and more employment-friendly National Insurance system. One that makes it easier for employers to hire new employees, and one that also cuts the costs and red tape associated with the two separate and unaligned systems of income tax and National Insurance. His proposal is to restructure employers' National Insurance on a revenue neutral basis – which for business as a whole, will involve no additional cost. And to set a rate of employer's National Insurance of 12.2 per cent, but only after the first £81 of wages.

I have accepted these proposals. From next year, the Government will abolish the distorting entry fee for employer's National Insurance. We will abolish the multiplicity of separate National Insurance rates.

We will cut the cost of hiring lower paid employees. Employers will now pay no National Insurance on any employee earning less than the starting point of the personal tax allowance, £81 a week. The right to benefit for all employees earning between £64 and £81 a week will be upheld in all the changes we make.

With these changes we are cutting the costs to business of employing 13 million of our lower paid employees. We are taking up to 1 million of the lowest paid employees out of employers' tax altogether. And we are cutting the cost of hiring someone on half average earnings by over £250 a year ... Employers and employees will also benefit from a further institutional reform: the establishment of a single organisation to deal with both income tax and national insurance. Ms Hamman and I have agreed that the Contributions Agency will be transferred to the Inland Revenue with effect from April 1999 ... Welfare to work is stage one of the reform of the welfare state. This Budget moves us today into stage two – ensuring work pays more than benefits and raising the rewards from work.

Where it is right for the economy I will introduce a 10p starting rate of income tax ... Today I announce a tax cut for hundreds of thousands of working families on low incomes and we will do through the introduction of a new working families tax credit from October 1999. Under the present system whereby a family with two children paid tax even when they earned only 25 per cent of average earnings. Now they will have no income tax bill until they earn over 50 per cent of average earnings – a transformation in the rewards for work in our country ... In the new Britain, for millions more people, we will make work pay.

For decades thousands of disabled people have been denied a basic right – the right to work. And the tax and benefit system is one of the barriers denying them opportunities.

As a government we will never compel to work disabled men and women who cannot work, and for those who want to work we will systematically remove the obstacles that at present prevent them from achieving their potential. So alongside the working families tax credit the Government will introduce a new tax credit for disabled people – paid through the wage packet. And a new 12-month linking rule to improve the incentives for those on long-term benefits to take a job. Together these measures will ensure higher rewards for disabled men and women entering work – making work pay ...

The working families tax credit will not only be a tax cut for hundreds of thousands of working men and women with children but it will abolish the grotesque distortion where some low-paid employees have had to pay back more than a



Customers enjoying the Chancellor's speech in Dixons, central London

Photograph: Rui Xavier

system whereby a family with two children paid tax even when they earned only 25 per cent of average earnings. Now they will have no income tax bill until they earn over 50 per cent of average earnings – a transformation in the rewards for work in our country ... In the new Britain, for millions more people, we will make work pay.

And the starting point in 1999 is exactly the same as stated by Beveridge in 1942: "That nothing should be done to remove from parents the responsibility of maintaining their children and that it is in the national interest to help parents to discharge that responsibility properly."

But we implement these objectives in a changed economy where parents now are trying to strike the right balance between paid work and family responsibilities. And in this new context I believe that we must do more to encourage family-friendly employment that will help children and their parents. That is why, as part of the Social Chapter, we will legislate to guarantee unpaid parental leave and I am pleased to confirm that the CBI are in support of this endeavour.

Giving children the best start in life requires good schools, good health services, good childcare, good public services as well as cash help. As a country we invest around £10bn a year in a wide range of services for young children. And for the first time, a broad-based review of how we can integrate the whole range of services involved in the support and care of young children and their families is being carried out and proposals will be announced with our spending review in the summer.

Giving a child the best start in life takes more than money, but it cannot be done without money. And I believe that child benefit remains the fairest, the most efficient and the most cost-effective way of recognising the extra costs and responsibilities borne by all parents.

And raising it allows us to do more for mothers who choose to be at home, working at home bringing up their children. To underline this view, that child

more help than others. And that the case for additional support for children in poorer families is strong, but that support should be on the basis of the identifiable needs of children, not on whether there happens to be one parent rather than two. There is, in my view, no case for a one-parent benefit and we will not return to that. Additional support should be provided not on the basis of family structure but on the basis of family needs.

And the starting point in 1999 is exactly the same as stated by Beveridge in 1942: "That nothing should be done to remove from parents the responsibility of maintaining their children and that it is in the national interest to help parents to discharge that responsibility properly."

But we implement these objectives in a changed economy where parents now are trying to strike the right balance between paid work and family responsibilities. And in this new context I believe that we must do more to encourage family-friendly employment that will help children and their parents. That is why, as part of the Social Chapter, we will legislate to guarantee unpaid parental leave and I am pleased to confirm that the CBI are in support of this endeavour.

From next April, for the first child, child benefit will be raised by more than 20 per cent. A £2.50 a week rise in child benefit. This is in addition to the normal uprating for inflation. At £130 extra per year, this is the biggest increase we have seen in child benefit. These changes will be fully reflected in the family premium for income support. It is the right thing to do to support and strengthen families in our country. And, from November this year, for those on income support and family credit, child support for the under-11s will be raised by an additional £2.50 a week, so that the needs of Britain's youngest and poorest children are properly recognised ...

For those who want to see child benefit raised in future years, the question arises as to whether it should be taxed for those at the top of the income scale. It must be right in principle that if child benefit is raised in future, then there is a case for higher rate taxpayers paying tax on it. Following the children's review we will bring forward detailed recommendations for reform.

I have one further announcement: for hundreds of thousands of men and women, care within the family extends beyond caring for children to caring for disabled or elderly relatives. So valuing families means valuing spouses, grandparents, and all the carers who contribute to the family. As a first step to recognising the importance of carers within the family, I can today announce I am ending an injustice that the previous government tolerated. The tax allowance which has been available only to men with children whose wives are incapacitated will now be extended to mothers with dependent children and incapacitated husbands. And because of the importance I attach to ending this unfairness, I will backdate this to April 1997.

I now turn to the environment ... Having signed up at Kyoto to an 8 per cent reduction in European Union carbon emissions we are determined to play our part – nationally and internationally – in meeting that target ...

First, I can confirm today that VAT on the installation of energy saving materials funded under certain government grant schemes will be cut from 17 per cent to 5 per cent ...

... not least from businesses themselves, for measures that encourage greater energy efficiency in industry. I am grateful to Sir Colin Marshall, the chairman of British Airways and until July, president of the CBI, for agreeing to head a government review into economic instruments to improve the industrial and commercial use of energy. This will include a study of whether or not new economic instruments, such as an industrial energy tax and/or other market mechanisms, should be introduced to help curb industrial emissions; and if so, how.

Concern for the environment is of course not limited to use of energy. Last year, we commissioned work on the environmental costs of the quarrying of aggregates and on the options for dealing with water pollution. Detailed results on aggregates will be published in the near future but we already know that we need to do more to reduce the amount of waste going to landfill. So I will raise the standard rate on active waste from £7 to £10 per tonne from April 1 1999 ...

Road transport is the fastest growing source of carbon emission. So we need a more balanced transport policy. The Government therefore proposes to make two major environmental-led changes to long-term transport policy today.

The quantity and the quality of public transport must be improved. So I am pleased to announce that over the coming three years, as a result of this Budget, a total of over £500m additional money will be invested in public transport. The Deputy Prime Minister will announce the details later in the week.

But today I can announce a £50m a year rural transport fund. Three-quarters of rural parishes and communities have no bus service. Our aim must be to extend the range of transport services throughout the country. So this fund will invite applications from rural communities who want to improve local transport. And as an added incentive I will increase the rebate on fuel paid to bus operators to help keep fares down.

The Government recognises that, for many people especially in isolated areas, car ownership is not a choice but a necessity and so I now want to rebalance car taxation so that it falls less on car ownership. And I want to make the change in an environmentally sensitive way.

From January next year, I am cutting the licence fee for lorries and buses with clean engines by up to £500. But I also want to make a major reform of the licence fee for cars. From next year I plan to reduce the cost of cars with the lowest emissions.

The Comprehensive Spending Review – the results of which we will announce this summer – will shape our public spending priorities into the next Millennium ... We have already achieved more than some expected – £400m to help pensioners with fuel bills, £1.5bn to patient care in the NHS, £3bn to employment, and more than £2bn to education.

Because of our disciplined approach this year we are able to carry over extra money from this year to next. I have already said that public transport will receive an additional £500m over the next three years. But ours is prudence for a purpose – to meet the people's priorities.

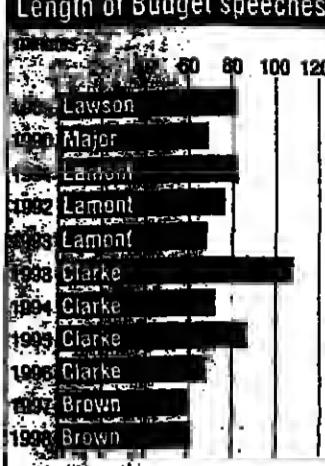
We are determined to improve education all round. So I am allocating for the coming year to education an additional £250m. Making a total additional commitment to education since we came to power of £2.5bn. And I can also tell this House that Health Secretary Frank Dobson will make a statement this week. The extra money I announced last July for the NHS comes on stream from next month. I have decided that this allocation to health of £1.2bn for next year should today be increased by another £500m to £1.7bn. This takes the total additional investment we have provided for the NHS in our first 10 months to £2.5bn. The NHS is safe in this government's hands.

Because we will always be prudent, I am allocating £500m to add to the reserve in 1998-99. It is because of our prudence that we are able to meet our manifesto commitments, reduce the deficit and invest more in transport, education and health. The ambitions of the British people are once again the ambitions of the British government. So this is a Budget that by its measures, advances both enterprise and fairness. A Budget that has set new ambitions for Britain.

I commend it to the House.

Political reaction p 12

Length of Budget speeches



old for inheritance tax by £8,000. Under this government there will be no inheritance tax to pay on estates below £223,000. Ninety seven per cent of estates will not have to pay inheritance tax ...

## Museum charges

I also want to improve access to museums and galleries. I have therefore decided that extra money will be made available to help museums and galleries which do not currently charge for admission to maintain free admission for the coming year.

As I promised, I will raise revenue over the next three years by closing a number of loopholes, including offshore trusts, a total of £1.5bn. Next month, we will be publishing and consulting on draft legislation for a general anti-avoidance rule for direct taxes.

From January 1 next year, alcohol duties will be uplifted in the normal way, by 1p on a pint of beer and 4p on a bottle of wine. For a bottle of spirit, the duty will be frozen at its current level. And I shall be taking action to clamp down on smuggling and fraud. On tobacco, the excise duty will rise by 5 per cent above inflation. From December 1 the tax on a packet of 20 cigarettes will rise by just over 20p ...

I have decided that there is a case for a new tax relief for giving. I want British citizens to be able to contribute more to poverty relief and education in developing countries. For every £100 a British citizen donates, the British government will contribute up to £40 ...

I said that this would be a Budget based on prudence for a purpose and that guides us also in our approach to public spending. When we came into government we said that while we undertook a strategic review of future spending priorities we would work within a two-year ceiling on departmental spending.

The Comprehensive Spending Review – the results of which we will announce this summer – will shape our public spending priorities into the next Millennium ... We have already achieved more than some expected – £400m to help pensioners with fuel bills, £1.5bn to patient care in the NHS, £3bn to employment, and more than £2bn to education.

Because of our disciplined approach this year we are able to carry over extra money from this year to next. I have already said that public transport will receive an additional £500m over the next three years. But ours is prudence for a purpose – to meet the people's priorities.

We are determined to improve education all round. So I am allocating for the coming year to education an additional £250m. Making a total additional commitment to education since we came to power of £2.5bn. And I can also tell this House that Health Secretary Frank Dobson will make a statement this week. The extra money I announced last July for the NHS comes on stream from next month. I have decided that this allocation to health of £1.2bn for next year should today be increased by another £500m to £1.7bn. This takes the total additional investment we have provided for the NHS in our first 10 months to £2.5bn. The NHS is safe in this government's hands.

Because we will always be prudent, I am allocating £500m to add to the reserve in 1998-99. It is because of our prudence that we are able to meet our manifesto commitments, reduce the deficit and invest more in transport, education and health. The ambitions of the British people are once again the ambitions of the British government. So this is a Budget that by its measures, advances both enterprise and fairness. A Budget that has set new ambitions for Britain.

## BUDGET BILL

The most accident-prone Chancellor seems to have been Ward Hunt, who forgot to take his budget speech with him to the House on budget day in 1989. One of Nigel Lawson's budget speeches had a brief transmission failure through when he discovered that he had the page in the wrong order.

Family values means we value families, all families. So our economic policy must not only encourage a stable and healthy society based on mutual rights and responsibilities but directly support families as they bring up children.

This is not just for the 4 million children growing up in poverty in Britain today, but for every child who should have the best opportunities



First, we all know circumstances dictate that some families ...

... have to work



## PROFILE

## Changing image of a reforming Chancellor

IN THE  
Lobbies  
Tories  
hunting  
something  
to criticise

THE body language told us much. As Gordon Brown got to his feet yesterday to deliver his second Budget in nine months, Tony Blair looked up like a dutiful lieutenant. Then, he scanned the speech, moving ahead too swiftly at times because the Chancellor was reading from a large-type script. For all the world, it was the apprentice watching the master. From time to time, Mr Blair gave a grip-mouthed grim, not the full-teeth version. He seemed strangely hunched in his seat, next to the spreading figure of John Prescott. In more than an hour, the smile quotient was in single figures.

What is going on here? Mr Brown's commanding performance at the despatch box won him a mild hug from the Home Secretary, Jack Straw, but little more than a touch on the arm from his most long-standing political ally, the Prime Minister.

Surely, the most important political coalition of recent times cannot be in terminal decay. Too much rides on it for individual pique to stand in the way of the change for which electors voted. Perhaps Mr Blair never was one for applauding, not even as a child at the pantomime. But nobody was watching then. They are now.

True, in recent times there has been too little opportunity to see the two men together. Neither is a frequent Commons attendee. They are not often seen lounging on the front bench, exchanging whispered comments. And they rarely appear in public together. When they do, as on the platform of the Labour Party conference, the protocol of mutual applause and admiration is rigidly enforced.

Neither Downing Street nor the Treasury briefs about the relationship between the two most important figures in government, except to utter platitudes about how friendly and productive it is. So it is difficult to form a value judgement based on the official version.

Beyond that, however, we had a senior Downing Street official's description – commonly

Paul Routledge, Gordon Brown's biographer, on Downing Street's hidden tensions

attributed to Alastair Campbell, Mr Blair's official spokesman, for all his denials – of Mr Brown as "psychologically flawed".

This comment came in response to my (with co-operation) biography of the Chancellor, which disclosed his residual sense of hurt at Mr Blair's breach of what Mr Brown thought was a private understanding between the two that he would be the agreed front-runner to succeed John Smith.

The book also pointed out that Mr Brown had long-term ambitions to lead his party and become Prime Minister. But from leaks and hints it is clear the Chancellor's semi-official personal manifesto irked the Prime Minister. It infuriated those around him, and sent relations between Number 10 and Number 11 into a deep freeze from which they are only now recovering.

Will yesterday's Budget aid or hinder that process? It confirmed Mr Brown as perhaps the leading politician of his generation. Where others have written pamphlets, or made speeches, or leaked "unfilmable" thoughts, he has made a comprehensive start on the overdue reform of the welfare state. Positive action has replaced rhetoric. And it is Brown's Budget, not Blair's, despite moves in recent days to put the Prime Minister's last-minute prints on it.

Naturally, the two discussed its contents. They had a two-hour meeting towards the end of last month, another session last Friday and breakfast at Chequers the day after. But by that time, the Budget was at the printers. Nothing of significance could have been changed.

Moreover, the general contents have, long been, known, since the Chancellor's "green

Budget" last November. It is essentially part two of his July Budget, the overall direction of which was agreed by Labour's high command before the general election. Subsequently, Mr Brown and Mr Blair spent much time together pacing the privacy of Number 10's back garden to hone the strategy of reform. They are bound together in its long-term success or failure.

Short-term, however, the better the reception that the Budget gets, the greater the likelihood of reviving the tensions between Downing Street's neighbours. There is, in short, great room for small-minded rivalry and petty hostility. Not at the top, maybe: Mr Brown and Mr Blair have had their words about the Chancellor's sense of sight. On the bridge, the incident is regarded as closed. Not, alas, in the engine room, where recidivist anti-Brownism is rampant. The noises from below will be make interesting listening in coming months.

Reaction to the Budget will also play a part in the Brown-Blair trajectory. Both share a difficult common objective in rolling back the social trends of the Tony years. This vision unites them. It may not be enough to see them through this Parliament and the next. In a sense, too many eyes are on Mr Brown and his reformist zeal. If it works, he will be lauded as a great radical Chancellor. By comparison, what has Mr Blair done, other than win handsomely an election that was there for the taking?

The evidence of yesterday's parliamentary theatre is that the two key members of the Government are on track together, but the permanent way suffers from poor repair. Do not rule out a collision.

Budget comment P14



Man of many faces: Gordon Brown at school, at work as an aspiring young Labour MP and latterly as Chancellor, and at play on the tennis courts

## The Corporate Bond PEP

Subject to Government regulation. Source: LGIM. P109.95. The gross yield of the product is 6.3%. That, with 21% a 6.3% redemption yield as at 9 March 1998. Past performance is not necessarily a guide to future performance. Both capital and income values may go down as well as up and you may not get back the amount invested. All comparisons of cost apply to PEPs investing wholly in Unit Trusts. Tax assumptions for those customers are available and are subject to statutory change. The value of tax relief will depend on your individual circumstances. Full written details are available on request. Legal & General (Direct) Limited, Registered Office: Temple Court, 11 Queen Victoria Street, London EC4V 4EP. Authorised only by the Legal & General marketing group, members of which are regulated by the Personal Investment Authority and DIFCO for the purposes of recommendation, advising on and selling life assurance and investment products bearing Legal & General name. A member of AIAFE. Investors should be aware that units cash in a Deposit Account the capital value of investments in Fixed Interest Trusts is not guaranteed. The Government published a consultative document in December 1997 on proposals for individual Savings Accounts (ISA) to be introduced in April 1998. The terms and limits for converting an existing PEP into an ISA are being considered as part of the consultation.

## The low cost high income PEP

Legal & General have led the way in providing low cost, high performance PEPs to our customers.

A glance at the table shows that we deliver unbeatable value, providing the lowest cost diversified Corporate Bond PEP on the market with annual management charges of only 0.5%, with no initial charges on lump sum investments or withdrawal fees.

So, for a regular, high tax-free income on your savings find out more about Britain's best value income PEP today.

Legal & General Corporate Bond PEP 0.5% 7.1%

NO initial charges  
NO withdrawal fee  
0.5% annual management charge

Visit our website at [www.lgndg.com](http://www.lgndg.com)

Find out more now  
phone free

0500 11 66 22

Same to 8pm weekdays  
9am to 6pm weekends

Please quote ref: CTDU10

NO COST  
ISA CONVERSION!

Subject to Government regulation.

Legal & General (Direct) Limited, Registered Office: Temple Court, 11 Queen Victoria Street, London EC4V 4EP. Authorised only by the Legal & General marketing group, members of which are regulated by the Personal Investment Authority and DIFCO for the purposes of recommendation, advising on and selling life assurance and investment products bearing Legal & General name. A member of AIAFE. Investors should be aware that units cash in a Deposit Account the capital value of investments in Fixed Interest Trusts is not guaranteed. The Government published a consultative document in December 1997 on proposals for individual Savings Accounts (ISA) to be introduced in April 1998. The terms and limits for converting an existing PEP into an ISA are being considered as part of the consultation.

YES I would like more information about the Legal & General Corporate Bond PEP. Post to: Legal & General (Direct) Limited, FREEPOST SW1007, Cardiff CF1 3YW.

If you already have any PEP investment, please tick here

we may telephone you to make sure information requested has arrived safely. Now and then, we may call you about other products and services offered by the Legal & General Group of companies. We believe this may be of interest to you. If you would prefer not to receive this carefully selected information, please tick here

Postcode \_\_\_\_\_

Date of Birth \_\_\_\_\_

Tel. No. Home \_\_\_\_\_

Tel. No. Work \_\_\_\_\_

Legal & General

St Michael

# MARKS & SPENCER

## NUT ALLERGY

## WARNING

Due to a risk to anyone who suffers from an allergy to nuts, Marks & Spencer has removed from display all stock of the following product.

**SOLID MILK CHOCOLATE BUNNIES**  
(Sold in a yellow net)  
**99p**  
**ALL DATES, ALL CODES**

In the interest of customer safety, all nut allergy sufferers who have purchased this product, should return it to any Marks & Spencer store where a full refund will be given.

No other St Michael food product is affected.

Marks & Spencer apologises for any inconvenience caused.

MARKS & SPENCER

www.marksandspencer.com



THE INDEPENDENT

## Drab and dogged – and all the better for it

OH GORDON, you'd be wonderful in the pulpit, but terrible on the stage. After the louche theatricals of Tory Budgets past, this was a drab affair in the very best sense. You didn't think that drab could be a term of praise? Well, wait.

Tory Budgets, particularly under Geoffrey Howe and Nigel Lawson, were dramatic, gripping events, part of the national theatre. In the Commons there was a clash of ideologies. The state was under attack, direct taxes were cut and, to many, the whole post-war settlement between rich and poor was being reversed. Backbench MPs shouted themselves hoarse. Chancellors swaggered and revolved in "ooh, ah" demouements.

But had you closed your eyes yesterday, you would have found much of what the Chancellor said about fiscal prudence, welfare dependency, the importance of small business enterprise and the disease of red tape to be strikingly similar to Con-

servative rhetoric during Budgets past – only a little less rhetorical.

The days of thunderous confrontation are over. Giving an instant response to the Budget speech is the hardest job an opposition leader has to perform each year, and William Hague was very good – sharp, wry and unflustered. Yet his best point was the extent to which Brown was building on the legacy of Kenneth Clarke: hardly a killer soundbite.

So we are saying, are we, that this was an essentially conservative Budget? No. There was a wide enough gap in philosophy to help reshape this country, and ample evidence of the evolving politics of Labour – including the state of relations between Brown and Blair.

Note first that Brown is doing for the would-be-working poor what Lord Howe did for the better-off and for entrepreneurs in the early 1980s. It was always a good left-wing point to ask why Conserva-

tives thought the rich needed incentives, in the form of lower taxes, to persuade them to work; while the poor got only sticks and harrangues. This Budget answers the point logically and fully. Its most substantial element was the demolition of the tax hurdles which have kept people from exerting themselves and taking low-paid work rather than staying on welfare.

It will change lives for the better. It was not, though, an entirely comfortable challenge from the People's Government to the people themselves. If this policy succeeds, then it comes as a shrill wake-up call in many houses round the country. As Brown put it, it is everyone's responsibility to look for work, and if you get work, he will make sure it pays.

What if there isn't work? The measures for industry and business had the usual injections of gimmickry that make the Treasury feel clever, but Brown's overall package for small business in partic-

ular was sound and will help the supply of jobs for those being prodded, blinking, into the chill daylight.

It is all very Scottish and moral, in a 19th-century way. Add the (not very substantial) extra money for health, education and transport, and the help for low-income families with young children, the small boost for the young homeless and Third World charity, plus the welcome help for museums and galleries, and one sees a starkly different set of priorities than we got from Tony Chancellors.

Brown isn't giving "Labour's people" many handouts. But he is helping them nevertheless, focusing on the "bottom dog" rather than the "top dog". He is using the Treasury as an instrument of social policy. He is, therefore, distinct from his Conservative predecessors. To put it simply, he is a believer in state activism and social engineering – which they shrank from. But, if none of this will cheer up the Tory converts, it won't have riled them either. Tony Blair's special relationship with Middle England put a limit on any redistribution.

Thus the best news for middle- and higher-income voters was that the leaks suggesting the abolition of mortgage interest tax relief, or a crackdown on company cars, or the taxation of child benefit this year, simply never materialised. It will anger the left and environmentalists; but we can think of it too as Uncle Tony's joke little present to the *Daily Mail*.

So what extra do we know about New Labour this morning? We find that it is genuinely determined and dogged in its crusade to get people into work, and that it is, if anything, even more prudent than we thought.

We notice, too, that this conscientious attitude is circumscribed by Labour's equally strong disaffection about alienating its new and better-off voters. Result?

It is doing what it said it would do, but at a teeth-grindingly careful pace. It may have been about as thrilling as a wet Sunday in Perth. But again, Perth is a decent, solid sort of place. You don't go to Perth for thrills.

That's what we do know. What we don't know is what will happen when the Government hits harder times. There is a certain complacency about New Labour's constant comparisons between its Cromwellian virtue and the cavalier misbehaviour of the Tories. All they did, in fact, was to spend to counter the social effects of recession; and then to deliver the economy in very good shape. This was a fair Budget, modest in scale but big in hope. That, for the timing being, is fine. But it's a little bit early for hubris.

Andrew Marr  
Editor in Chief



## The Big Idea: opportunity, aspiration, enterprise



DONALD  
MACINTYRE  
LABOUR'S NEW  
LEXICON

ceiling on Small Companies Tax of 21p. The Chancellor was as comfortable with words like entrepreneur as any of the most ardent 1980s Thatcherites had been. This was perhaps the most distinctively New Labour aspect of a supremely New Labour Budget. And it was heard with enthusiasm by most of the MPs behind Brown, pointing at their Tory counterparts as if floating at their seizure of the high ground of the enterprise economy.

The measures – without abandoning the principle that lone parents should not receive more per child than two-parent families – will now also ensure that single mothers who want to work won't be discouraged from doing so because they will receive a lower rate of benefit if they subsequently lose their job. The fact that Gordon Brown is now also contemplating the taxation of child benefit for higher rate payers, despite all the problems it will mean for the principle of independent taxation for women, was also taken on the Labour backbenches as an earnest declaration of his willingness to redistribute within the benefits system. And although they – more or less – knew it was coming, Labour MPs were equally delighted by yet more money for the two public services that Blairism is unquestionably dedicated to improving: education and the NHS.

But because so much of the Budget's social agenda had a ceiling on a lowest-ever rate of Corporation Tax, at 30p, and a

ceiling on the term in a very particular sense. The reach of its childcare provisions went way above the average earnings level of around £19,000 a year. Brown announced a graceful retreat from the deeply controversial clampdown on existing PEP savings accounts. The employers' National Insurance changes will affect everyone in work from the lowest to the highest-paid. And he skilfully presented the planned taxation of child benefit – which will anyway only affect those earning more than twice the average – as an entirely reasonable *quid pro quo* for increasing the benefit itself. This was not a good Budget for childless, idle, male tax-avoiders who pollute the atmosphere with environment unfriendly cars and who not only use private schools and healthcare but also don't mind what the NHS and the state education are like. But there was something for nearly everyone else.

The measures – without abandoning the principle that lone parents should not receive more per child than two-parent families – will now also ensure that single mothers who want to work won't be discouraged from doing so because they will receive a lower rate of benefit if they subsequently lose their job. The fact that Gordon Brown is now also contemplating the taxation of child benefit for higher rate payers, despite all the problems it will mean for the principle of independent taxation for women, was also taken on the Labour backbenches as an earnest declaration of his willingness to redistribute within the benefits system. And although they – more or less – knew it was coming, Labour MPs were equally delighted by yet more money for the two public services that Blairism is unquestionably dedicated to improving: education and the NHS.

But because so much of the Budget's social agenda had a ceiling on a lowest-ever rate of Corporation Tax, at 30p, and a

ceiling on the term in a very particular sense. The reach of its childcare provisions went way above the average earnings level of around £19,000 a year. Brown announced a graceful retreat from the deeply controversial clampdown on existing PEP savings accounts. The employers' National Insurance changes will affect everyone in work from the lowest to the highest-paid. And he skilfully presented the planned taxation of child benefit – which will anyway only affect those earning more than twice the average – as an entirely reasonable *quid pro quo* for increasing the benefit itself. This was not a good Budget for childless, idle, male tax-avoiders who pollute the atmosphere with environment unfriendly cars and who not only use private schools and healthcare but also don't mind what the NHS and the state education are like. But there was something for nearly everyone else.

For as he knows better than

most made this possible, of course, was the extraordinary improvement Brown's iron control of public spending – and, to be fair, the hits on pension funds and businesses which he made in last year's Budget – has wrought in the public finances. Brown's pride in this and his repeated proclamation that it was "prudence with a purpose" once again reminded the electorate that he is not going to squander "the people's money" as previous Labour governments have done. But it also reminded the City – and perhaps, above all, the Bank of England's monetary policy committee, that to the extent that fiscal tightening is essential to bringing down interest rates and reducing the export-destroying strength of the pound, he has played his part. It is now up to them, entrusted by him with the full control of monetary policy – to do the rest.

For as he knows better than

most made this possible, of course, was the extraordinary improvement Brown's iron control of public spending – and, to be fair, the hits on pension funds and businesses which he made in last year's Budget – has wrought in the public finances. Brown's pride in this and his repeated proclamation that it was "prudence with a purpose" once again reminded the electorate that he is not going to squander "the people's money" as previous Labour governments have done. But it also reminded the City – and perhaps, above all, the Bank of England's monetary policy committee, that to the extent that fiscal tightening is essential to bringing down interest rates and reducing the export-destroying strength of the pound, he has played his part. It is now up to them, entrusted by him with the full control of monetary policy – to do the rest.

For as he knows better than

## Labour sticks to the old ways of social engineering

SHEILA  
LAWLOR  
BENEFITS FOR  
THE FAVOURED

GORDON BROWN'S Budget has re-opened the question about which the party since the election has been largely silent. Will Labour in office go Blairwards to become in practice the inclusive party of classes and masses alike? Or does its hankering after the class war and the old certainties of the left spell an end to truce?

Yesterday's Budget tells us much about the battle for the soul of the party and its progress. Gordon Brown's rhetoric may have been couched in New Labour terms. But the plans and direction suggest a ruthless determination to use language and tone to ends quite at odds with what New Labour thinks it stands for.

Take the family. Having trailed his child-friendly photos as heavily as he trailed his Budget leaks, Brown presented his project for children. Child Benefit would go up. There will be an allowance for childcare which would help mothers back into the labour market. And the special provision for childcare for single parents will be extended to the partners of the unemployed. Project child is therefore to be partnered by project work.

The working family tax credit will replace family credit with a basic minimum income of £180 and no tax to be paid before £220 is earned. And, on Welfare to Work, the scheme, which will be extended nationwide, will cover the young unemployed after six months and the older unemployed after two years.

But although Brown's proposals may be couched in terms of children and incentives to work, there is a side that may turn out to be more old than new Labour. Despite the Blairite message that new Labour is not anti-conservative, and the status quo ante would be maintained, Brown's Budget may signal a different direction. If taxing child benefit is on the cards, as Brown has heavily hinted, this will take Labour further away from the incentive society into which it

put the boot when it abolished the child tax allowance in the 1970s, in favour of a universal benefit for all children.

The proposals to pay or set an allowance for childcare favour the family of the working mothers, over the stay at home mum. They also favour poorer, over only slightly better off families. The new realism of New Labour has returned that icon of progressive social policy to centre stage – the working mother – as the symbol with which our century will close. She is now an official part of the new project, and all the more valued if her partner is unemployed and if she is poor and takes the bribe to work outside the home.

Just as the century ground through its dreary states of social engineering, so in Britain it looks set to close. There will be special treatment for social projects of a progressive kind, promoting the sort of society that less democratic governments have already tried and failed to create. This is not just redistribution to the poor at the cost of those better off. It is re-distribution for approved lifestyles, for favoured groups determined by a highly centralised government.

Mr Brown's Budget was, not surprisingly, full of references to the supposed failures of the previous administration. By temperament and ideology he is blind to one of its unsung, but genuine successes. By the mid-1990s the Conservatives had finally signalled the demise of government as social engineer. It was starting to see that in the fraught area of social and family policy, government must remain neutral as between different lifestyles. The married family had had a bad deal from the state since the 1960s, in terms of tax benefits and the allocation of resources. The Conservatives had begun to redress the balance by changing the terms of the debate to one of neutrality. Much still needed to be done under New Labour. As his Budget has indicated, despite his gloss of New Labour, business and saver friendliness, Mr Brown is really old Labour to the roots. He will not abandon old Labour's beloved projects of social engineering. The question is will middle England abandon him?

Sheila Lawlor is a director of the independent think tank Policy.

public  
spending p16

TAXATION  
OF THE  
BUSINESS

Call Kidson Impey on 0800 0362251. For a free booklet.  
BUSINESS ADVICE, TAX COUNSELLORS  
we can help.

KIDSONS  
IMPEY  
Chartered Accountants  
Chartered Accountants

## MUSEUM CHARGES

## Extra cash will help keep free admissions

By David Lister  
Arts News Editor

A TWO-TIER range of national museums was effectively guaranteed by the Chancellor yesterday as he promised continued free admission to the national museums that do not charge.

The Budget also made available £5m a year for a New Audiences Programme with the aim of giving cheap theatre, dance, music and opera tickets to young people.

While there was welcome news in the guarantee that currently free museums will remain so, there will be anger in the national museums which charge that money has not been found to give them free admission too.

Dr Alan Borg, director of the Victoria and Albert Museum, is on record as saying he would be furious if money went to the British Museum to keep it free but not to the V&A, punishing it for good house-keeping. However, yesterday he would only say: "Any money for the arts is good news."

David Barrie, director of the National Art Collections Fund, which has been in the forefront of the fight for free admissions, expressed disappointment. "Any extra money is welcome, but frankly this looks more like a stop gap than a long term solution. Moreover, it does very little for the charging museums," he said.

In his one sentence reference to museums, Gordon Brown announced that extra money would be made available to help museums and galleries which do not currently charge for admission to maintain free admission in the coming year. *The Independent* campaigned for free admission throughout last autumn.

According to the Department of Culture, Media and Sport, there will be a £9m boost for access and education at museums across the country. Broken down, this amounts to: £2m to ensure free admission is maintained at the National Gallery, National Portrait Gallery, London's Tate Gallery, the British Museum and the Wallace Collection; and a £7m fund (£2m of new lottery money topping up an existing £5m fund) from the Heritage Lottery Fund for access and education work (not free admission) in other national and regional museums across the country.

What aspects of education and access will be paid for from the latter fund have yet to be announced. Museums will have to apply to the fund with access schemes (such as cheap or free access for those on low income). But the fund is too small to allow the charging museums to give free admission to everybody.

So, the Tate, National, National Portrait galleries, British Museum and Wallace Collection are assured funds to retain free admission. The money will be renewed on an annual basis. The Culture Department will be able to find the money from changes, also announced in the Budget, to the Acceptance in Lieu scheme. Up until now the Inland Revenue has been reimbursed from the Culture Department's budget for the amount of tax satisfied under the AIL scheme. This reimbursement arrangement now ceases.

But there is to be no money for the Victoria and Albert Museum, Science Museum, Imperial War Museum and National Maritime Museum, all of which have compulsory admission charges.

The Chancellor's announcement was immediately welcomed by the director of the Tate Gallery, Nicholas Serota. He promised that it "will allow the trustees of the Tate Gallery to maintain free admission to the collection in the next year and hopefully well beyond. We applaud this early sign of the Government's long term commitment to steadily widening access to our national and regional collections."

The New Audiences programme will help theatres, opera, dance and music companies to encourage young people to participate. The programme embraces a number of initiatives including encouraging theatres to mount "pay what you can" evenings.

Details have yet to be worked out, but Culture Secretary Chris Smith said last night: "I look forward to the time when enjoyment of live theatre, music and dance becomes part of everyone's experience no matter where they live." And Arts Council chairman Lord Gowrie added: "I unconditionally thank and congratulate the Government for going a long way to restore the cash cut to the arts announced in December."

The DCMS has found the £5m for the New Audiences programme because the strength of sterling has reduced the amount which it has had to commit to European Regional Development programmes.

A visitor admires one of the Elgin marbles at the British Museum

Photograph: Tom Pilston



## HEALTH

## £500m injection to boost NHS

By Jeremy Lawrence  
Health Editor

THE PROSPECT of record NHS waiting lists pried an extra £500m from the Chancellor yesterday, bringing the total additional funding for the health service for 1998-99 to £1.7bn above what was planned by the Tories.

Lengthening hospital queues, which have swelled by more than 100,000 since the Labour government took office last May to 1,262,300, have meant extra pain and discomfort for patients but have guaranteed continuing Government largesse for the NHS.

It was the spectre of Labour MPs marking the NHS's 50th birthday in July with a visit to the grave of its founding father, Nye Bevan, as waiting lists continued to soar that forced the Chancellor's hand. He first opened the Treasury coffers last summer pledging an extra £1.2bn for the NHS for 1998-99. Fears of a winter crisis in hospitals with rising emergency admissions extracted a further £300m last autumn for 1997-98.

Yesterday's pledge of an extra £500m for 1998-99 brings to £2bn the total extra funds invested in the NHS by the Government in its first 10 months in power.

Medical organisations reacted cautiously. Cutting waiting lists by 100,000 was one of Labour's five key election pledges. To achieve that pledge, which Frank Dobson, the Secretary of State for Health, has promised to do before the next election, will mean reducing the now increased waiting lists by 200,000—and they are still rising.

Jennifer Dixon, a health policy analyst at the Kings Fund, the NHS think tank, said: "The waiting list pledge was a very good one to make because it means the health service keeps receiving these financial [Aids] funds. It is very good news for the NHS."

Experts say that while short term measures can cut waiting lists they tend to rise again as soon as the measures are withdrawn. The NHS Confederation, representing health authorities and trusts, said the extra money meant there was "a good chance" of solving the waiting list problem but long term changes were necessary and "a great deal more real money is still needed to tackle vital improvements in the NHS".

The confederation said the increased funding for 1998-99 amounted to 2.29 per cent in real terms, £285m short of the 3 per cent needed to allow the NHS to meet the demands of medical advances, an ageing population and rising demand.

Stephen Thornton, chief executive of the confederation, said: "This should be a first instalment to sort out the problems of funding the NHS."

The Institute of Health Services Management said a long term commitment to an annual 3 per cent increase was essential. "Sporadic rescue top-ups will not solve the critical funding crises of the NHS," it said.

The Liberal Democrats warned that the rise fell short of the 3 per cent the NHS needed to stand still. Simon Hughes, the party's health spokesman, said: "The result will be a continued rise in waiting lists despite Labour's manifesto pledges, more community hospital closures and fewer nurses."

## EDUCATION

## £250m to improve schools and skills

By Judith Judd  
Education Editor

TEACHERS welcomed the Government's decision to spend an extra £250m on education after predictions that schools were likely to be disappointed.

But Liberal Democrats accused the Chancellor of taking the Tory route and said that inflation wiped out the value of the extra cash.

Details of how the £250m will be distributed will be announced tomorrow but £100m will go on updating adults' skills as part of ministers' commitment to Lifelong Learning.

The rest will go to schools, including another £10m to speed up the programme of education action zones, testbeds for educational experiment in deprived areas.

Five zones were scheduled to be running in the first year from September. There will now be 25 in place

from January next year. Sixty bids from partnerships wanting to run zones have been received and more will be set up in due course.

In his first budget last July, the Chancellor announced an additional £2bn for schools to fulfil the Prime Minister's pledge that his priority would be education, education, education.

Since then a further £165m has been promised for universities and £100m for further education.

Yesterday the Chancellor announced a £50m venture capital fund, including £20m of public money, from which universities will be able to bid for research projects.

Don Foster, the Liberal Democrat education spokesman, said: "With tough choices before him, the Chancellor has taken the easy route - the Tory route. He has failed to deliver the much needed major boost in investment in education."

The funding crisis in our schools

continues. Meeting even the early, though modest pledge on class sizes is now in doubt. On education funding what distinguishes this government from the last is the spelling of their names."

Doug McAvoy, general secretary of the National Union of Teachers, said: "The Chancellor's recognition that improvements in education cannot be achieved without money is welcome. Two hundred and fifty million pounds is a start in overcoming the severe materials and resource shortages in our schools."

"Sixth-formers have told the NUT that one of the major disincentives to becoming a teacher is knowing they will not have the tools for the job. Two hundred and fifty million pounds will not wipe out all problems but children will be the beneficiaries."

Graham Lane of the Local Government Association said: "This is

good news. It will mean smaller classes and a bit more for books in schools."

Emann O'Kane, deputy general secretary of the National Association of Schoolmasters Union of Women Teachers, welcomed the money but pointed out that schools in some shire counties were still struggling to balance the books.

"Whether the money will be sufficient in the long term remains to be seen," he said.

David Thiesman, general secretary of the Association of University Teachers, said that higher education was the Chancellor's poor relation.

Diana Warwick, the chief executive, added: "Universities will stand ready to play their part in the venture capital fund. But it is essential that the Government's comprehensive spending review delivers necessary public investment to maintain basic research equipment which underpins innovative research in universities."

## Oxford and Cambridge to keep £35m fee bonus

By Judith Judd  
Education Editor

OXFORD and Cambridge will keep the bulk of the annual £35m they get in extra college fees.

This year, the colleges will receive the fees, which pay for libraries and pastoral support for students, in the usual way. Next year, the money will go to the universities to distribute to colleges.

The amount Oxford and Cambridge receive will recognise the quality of their research, the standard of teaching and their need to maintain ancient buildings.

A new premium for good teaching, available to all universities, will be introduced, but Oxbridge is expected to receive a substantial share.

Government sources said: "The expectation is that there would be no precipitate reduction in college fees."

After a period of about seven or eight years, the Government estimates that each university will be receiving about £23m of the present £35m, taking into account the efficiency gains which the Treasury is expecting from all universities.

Yesterday's decision ends a battle between the Prime Minister and David Blunkett, Secretary of State for Education and his department. Mr Blunkett wanted payment of the fees to depend on greater access to the two universities for state school pupils. Tony Blair did not want to antagonise a powerful lobby for a comparatively small sum of money.

Oxford University welcomed the Government's accent on protecting the excellence of the teaching and research at the university and "the important role played by the colleges in this", but was dismayed about the proposal on efficiency gains.

## TAX AND BENEFITS

## National Insurance proves a reform too far

By David Walker

The conclusions of their review to be published later in the year.

But Mr Taylor did make some radical recommendations in his report, some of them immediately accepted. To others, the Chancellor has yet to respond. Among the latter is Mr Taylor's strong urging that that just as men and women living together are now taxed separately, so men and women living together as couples should have separate and equal access to social security benefits.

This "individualisation of benefit payments" could have major consequences for women in poor families and their work incentives. It may also spark concern that, for all Mr Brown's

reform, the fiscal system is increasingly indifferent to whether people are married or not.

As for Mr Taylor, he is clear on this point. "I believe that wherever possible, Government should avoid framing special rules for categories of people based on their social or family arrangements. These tend either to encourage people to structure their households in a particular way in order to receive money from the state, or else to make it more expensive and onerous for them to live in the way that suits them. Neither outcome would be desirable."

It has been a very busy time for the chief executive of Barclays since, within days of his appointment, he was asked

to become an unpaid government adviser. (His private sector salary last year was more than £800,000 plus perks.) During the past months, as well as leaving the rules of political engagement, he has sold off Barclays' loss-making broking arm, BZW, entered merger conversations with NatWest and considered taking over Standard Chartered. Mr Taylor has, if press reports of his diary are to be believed, eaten a lot of sensible and secret dinners.

But if Mr Taylor has made use of his new connections to the seat of political power, the Government has used his, too. As adviser to the Treasury, his main task has been to supply the Chancellor with a particular kind of "cover" for his reforms.

Mr Taylor's business credentials are strong and to them he has added a large scale exercise in

consultation with the business community.

Mr Brown said Mr Taylor's appointment "harnesses the drive of the private sector to the expertise of government departments to streamline both our tax and benefit systems."

Mr Taylor has not taken up some of the more radical suggestions made to him by business people, for example, aligning liability to pay National Insurance with the Pay as You Earn scheme for income tax.

The reason he gives for rejecting the proposal is a lame one, that it would require radical overhaul of PAYE. His own suggestions for the Working Families Tax Credit ac-

knowledge that employers are going to have a lot more actively engaged in administering the system than they currently are.

In his Budget speech the Chancellor announced he was immediately taking up most of Mr Taylor's recommendations on National Insurance, especially on the lower earnings limit - the wages level at which employers start having to make a contribution.

The current system, he said "imposes a burden on the low paid and distorts the labour market - there is clear evidence of bunching of employees below the limit."

Similarly, the Taylor report's heavy recommendation of a tax

credit for working families looks to have been entirely absorbed into the Working Families Tax Credit. But critics of the abolition of Family Credit will note Mr Taylor's misgivings about the reliance the new system places on employers - not to snop on their employees, not to use their knowledge of family circumstances to bring wages down.

At this point, Mr Taylor drops a big hint that personally he is keen to see the introduction of a minimum wage. Any attempt by employers to use their new found knowledge to cut wages would fail if the introduction of a minimum wage established a floor for earnings.

**BUDGET BITE**  
In 1990 Linda "Miss Whiplash" St Clair finally lost a 15-year legal battle against the Inland Revenue, claiming that her paying cases meant that she was living off her funeral earnings.

لهم من لا يعلم

YEAR 2000

£500m  
injecting  
to boost  
NHS

## PUBLIC FINANCES

# Iron Chancellor betrays a touch of velvet by resisting a hike in the tax burden



DIANE COYLE

GORDON BROWN turned out to be concealing a hint of velvet behind his Iron Chancellor exterior.

The measures in yesterday's Budget amounted to almost no change in the tax burden this year followed by small increases subsequently, these mainly due to alterations in the timing of corporation tax payments.

Extra money has been directed to the new Working Families Tax Credit and Childcare Credit, with a bit more cash for spending priorities too. Mr Brown has also trimmed his forecasts for future government borrowing.

Analysts in the financial market had expected Gordon Brown to be tougher and, if anything, to raise the tax burden. There was disappointment that he had not done enough to ease the pressure on the Bank of England to raise interest rates.

The Chancellor is injecting money back into the economy. Public borrowing should be falling faster at this stage of the cycle," said Clifton Barr, an economist at Deutsche Morgan Grenfell. The Budget sent the pound even higher on the foreign exchanges as traders pencilled in higher expectations for interest rates.

Yet yesterday's announcements come on top of a far bigger tightening of fiscal policy in the current year than anybody had expected, equivalent to about 2 per cent of GDP. As well as the tax increases announced or confirmed in the mini-Budget last July, the firm control of public expenditure has made policy extremely tough.

"Mr Brown has therefore been able to carry forward an under-

lying improvement in the Government's financial position of roughly £700m.

The tax changes announced are neutral for 1998/99, and raise about £1bn in subsequent years. Even that increase is due to the cashflow benefit of a switch to quarterly corporation tax payments. Without it, there is a net Budget giveaway of around £700m a year.

With additional spending amounting to just under £2bn in the next year (including an increase in the contingency reserve for emergencies), the Treasury has revised down its forecasts for future borrowing slightly.

Where November's Pre-Budget Report pencilled in a PSBR of £9.5bn in 1997/98 and £4.5bn in 1998/99 (including the windfall tax), the Budget Red Book has new predictions of £2.6bn and £2.3bn.

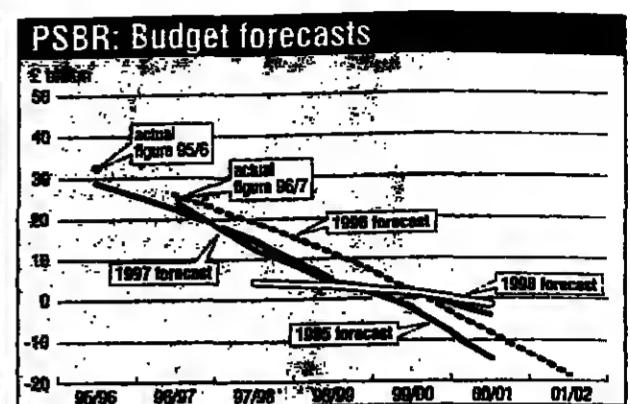
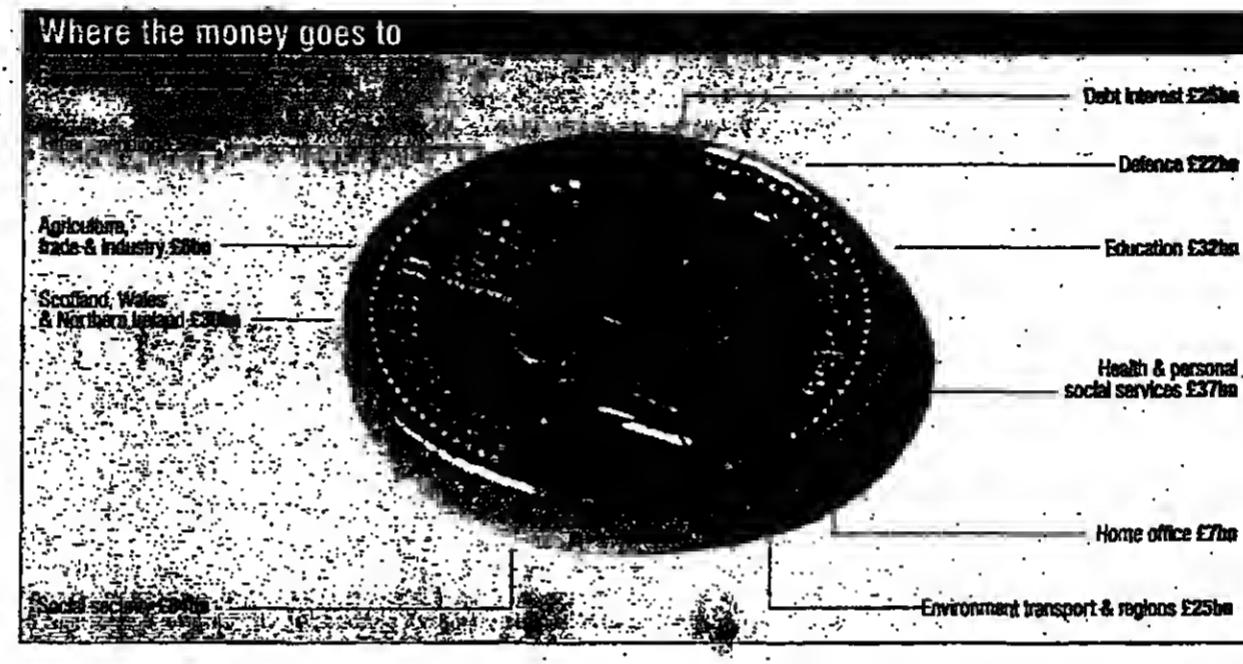
Some critics have been arguing in favour of less austerity in the government's finances. Paddy Ashdown, reacting to Mr Brown's statement, said the Government was still underfunding public services.

Malcolm Bruce, the Liberal Democrat's Treasury spokesman, reacting to astonishingly good borrowing figures just yesterday morning, said: "It now looks as if the public finances are virtually back in balance this year, yet Gordon Brown still insists on sticking to 'Tory spending limits' which were set at a time when Britain had a big borrowing problem."

There could have been no clearer demonstration of Mr Brown's long-term prudence than his announcement on Monday of the introduction of a new "code for fiscal stability".

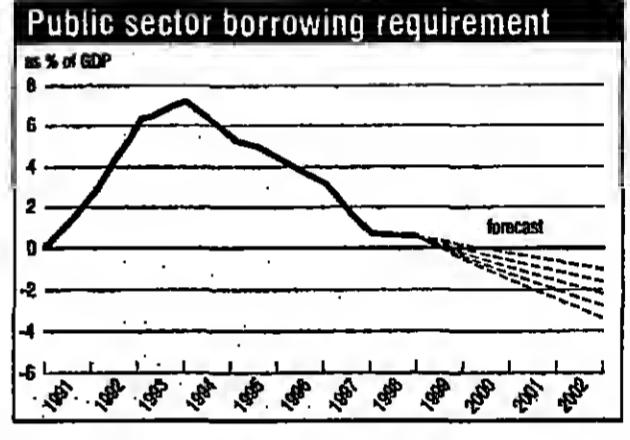
This will require all future chancellors, by law, to set out sustainable spending and revenue plans. The plans will have to be fully documented and subject to parliamentary and public scrutiny. The "code" will be given a statutory basis in the Finance Bill.

"He is making sure that come hell or high water his strategic plans will not be pushed off track by a downturn later. The economy can just fall away from you and send borrowing soaring," said Kevin Darlington, an economist at ABN Amro.



The Budget arithmetic

	£ billion	Outcome 97-98	Forecast 97-98	Forecast 98-99
Receipts	288.1	315.7	333.0	
Current expenditure	308.3	314.5	327.5	
Current balance	-20.2	1.2	5.5	
Net capital spending	8.7	6.3	7.0	
Privatisation proceeds & other financial transactions	4.2	2.5	-0.8	
PSBR	22.7	2.8	2.3	
PSBR as % of money GDP	3%	0	0	
PSBR excluding windfall tax	22.7	5.0	3.9	



When it is implemented, the new Working Families Tax Credit will appear to reduce spending. But as it replaces a benefit, Family Credit, with a tax credit, it will reduce tax revenues by an equal amount.

On the other side of the equation, revenues are being underpinned by a series of tax increases, some inherited from the Conservative government, some pre-announced in July. But the key to the outlook is the health of the economy.

The Red Book sensibly makes cautious assumptions. The total for government receipts, at £330bn, is just £4bn higher than the November forecast.

In the longer term, the Treasury predicts receipts will grow in line with a trend growth rate that is, at 2.25 per cent, on the low side of the possible range.

Even on this cautious view, the PSBR will vanish by 2000/01 at the latest, the Red Book predicts.

£1bn for every year into the future it is being predicted.

This is how the arithmetic stacks up now. The Chancellor has stuck close to his inherited Control Total – as it name suggests the part of expenditure the government can control – of £274bn for 1998/99.

Within this, he has actually increased the contingency reserve for unexpected emergencies by £500m to £2.5bn for next year, responding to criticism that it had been cut a bit fine.

Since May, Mr Brown had already found extra money for some priority areas such as health and education as well as his New Deal. But the Chancellor has switched both spending on welfare to work financed from the windfall tax and local authority expenditure financed from capital receipts as being outside the Control Total. This amounts to £1.8bn in 1998/99.

To reach the final spending total, cyclical social security spending and interest payments on government debt have to be added. These have turned out lower than expected thanks to falling unemployment. But higher inflation than forecast will add about £600m to the social security bill from April, when benefits are uprated.

Altogether, total government spending is virtually the same as in November. The strong economy has helped but just as important has been the tough control from Whitehall.

## ECONOMIC FORECASTS

## 'Realistic' view of inflation is seen as a slap in the face for the Bank

By Leo Paterson

THE CHANCELLOR of the Exchequer yesterday stuck to his forecasts for inflation, saying the rate would peak at 3 per cent this year and hit the target of 2.5 per cent in 1999.

But Gordon Brown's failure to revise downwards his forecasts in his Budget speech was seen by many in the City as "implicit criticism" of the Bank of England.

He also cut his forecast for economic growth for this year but predicted the economy would bounce back faster than expected in 1999. Mr Brown now predicts economic growth in 1998 will lie between 2 and 2.5 per cent.

In November, the Treasury said economic growth in 1998 would lie between 2.25 per cent and 2.75 per cent. He also slashed his predictions for export growth, citing the Asian turmoil and the strong pound.

The Bank of England is forecasting that the economy will hit the inflation target of 2.5 per cent later this year, while the consensus view in the City is that inflation will lie at 2.75 per cent

"Growth this year and next will depend crucially on what happens to wage inflation... If wage bargaining proceeds in the same short-termist way as in the past, growth this year could slow to 2 per cent"

in the fourth quarter of this year, and will not hit the Bank of England's target until 1999.

Mr Brown's predictions are therefore higher than those of the Bank, prompting some economists to interpret his unchanged figures as "a slap in the face" for the Bank.

"It's an implicit criticism of the Bank for not having raised rates," said one economist.

Mark Wall, economist at Deutsche Morgan Grenfell (DMG), said the Chancellor's failure to revise his inflation projection downwards showed the Government "is taking a more realistic view of inflation than the Bank of England".

Mr Brown's predictions on economic growth are now in line with those of the City, and are

slightly more pessimistic than those of the Bank.

Mr Brown has also revised downwards his estimate of economic growth during 1997 from 3.5 per cent to 3 per cent, a move which reflected "a deterioration in net trade performance, as the appreciation of sterling over the past 18 months began to impact on trade volumes", according to the Treasury.

Speaking in the House of Commons yesterday, Mr Brown said: "A deteriorating situation in Asia has forced all governments to revise downwards their forecasts for growth. And while this government contributed to swift international action, continuing uncertainties require continuing vigilance."



One economist commented: "The economy is past its peak, it's still very strong, but it's gently easing down".

Mr Brown warned that UK economic growth would lie towards the lower range of forecasts if employers failed to

exercise wage restraint.

He said: "Growth this year and next will depend crucially on what happens to wage inflation over the coming year. If our Welfare to Work reforms can be complemented by responsibility across the economy, we could achieve 2.5 per cent growth this year. But if wage

bargaining proceeds in the same short-termist way as in the past, then growth this year could slow to 2 per cent".

"There is certainly the risk that wage growth could deflate economic growth," agreed one leading economist.

Mr Brown forecast that growth would be between 1.75 and 2.25 per cent in 1999 and between 2.25 and 2.75 per cent in 2000.

In November, the Treasury said the economy would grow between 1.5 and 2 per cent in 1999.

The Chancellor has also revised his estimate of the "output gap" – or the extent to which gross domestic product (GDP) growth exceeds its sustainable level – since November. Weaker than expected output growth in the fourth quarter of the year meant that GDP was around 0.5 per cent above its trend level rather than 0.75 per cent, the Treasury said.

As in his November pre-Budget statement, the Chancellor said the figures towards the lower end of his economic ranges were "consistent with a

projected trend growth rate of 2.25 per cent a year".

The Chancellor reaffirmed his commitment to cut the sustainable rate of unemployment (the Nairu), saying that a fall in the Nairu could be equivalent to output growth by 2.75 per cent in 1998 and 1999 and gradually reverting to 2.25 per cent by the end of 2000.

The Chancellor has also revised upwards his forecasts of growth in consumer expenditure, again interpreted by many as implicit criticism of the Bank. Consumer expenditure is now forecast to grow between 3.75 and 4 per cent in 1998 – compared with a growth rate of 4.5 per cent in 1997 – and to slow further to a growth rate of

1.75 per cent and 2.25 per cent in 1999.

In November, the Chancellor said the growth in consumer expenditure this year would lie between 3.5 and 3.75 per cent in 1998, and between 1.5 and 2 per cent in 1999. One economist commented: "Consumer expenditure is bound to start coming down this year as the economy as a whole slows."

Net trade is expected to continue to make a negative contribution to growth throughout this year as well as in the first half of 1998 due to the appreciation of sterling and the impact of financial turbulence in Asia, the Chancellor said.

The Chancellor has also revised upwards his forecasts of growth in consumer expenditure, again interpreted by many as implicit criticism of the Bank. Consumer expenditure is now forecast to grow between 3.75 and 4 per cent in 1998 – compared with a growth rate of 4.5 per cent in 1997 – and to slow further to a growth rate of

1.75 per cent and 2.25 per cent in 1999.

In November, the Chancellor said the growth in consumer expenditure this year would lie between 3.5 and 3.75 per cent in 1998, and between 1.5 and 2 per cent in 1999.

One economist commented: "Consumer expenditure is bound to start coming down this year as the economy as a whole slows."

Net trade is expected to continue to make a negative contribution to growth throughout this year as well as in the first half of 1998 due to the appreciation of sterling and the impact of financial turbulence in Asia, the Chancellor said.

The Chancellor has also revised upwards his forecasts of growth in consumer expenditure, again interpreted by many as implicit criticism of the Bank. Consumer expenditure is now forecast to grow between 3.75 and 4 per cent in 1998 – compared with a growth rate of 4.5 per cent in 1997 – and to slow further to a growth rate of

1.75 per cent and 2.25 per cent in 1999.

In November, the Chancellor said the growth in consumer expenditure this year would lie between 3.5 and 3.75 per cent in 1998, and between 1.5 and 2 per cent in 1999.

One economist commented: "Consumer expenditure is bound to start coming down this year as the economy as a whole slows."

Net trade is expected to continue to make a negative contribution to growth throughout this year as well as in the first half of 1998 due to the appreciation of sterling and the impact of financial turbulence in Asia, the Chancellor said.

The Chancellor has also revised upwards his forecasts of growth in consumer expenditure, again interpreted by many as implicit criticism of the Bank. Consumer expenditure is now forecast to grow between 3.75 and 4 per cent in 1998 – compared with a growth rate of 4.5 per cent in 1997 – and to slow further to a growth rate of

1.75 per cent and 2.25 per cent in 1999.

In November, the Chancellor said the growth in consumer expenditure this year would lie between 3.5 and 3.75 per cent in 1998, and between 1.5 and 2 per cent in 1999.

One economist commented: "Consumer expenditure is bound to start coming down this year as the economy as a whole slows."

Net trade is expected to continue to make a negative contribution to growth throughout this year as well as in the first half of 1998 due to the appreciation of sterling and the impact of financial turbulence in Asia, the Chancellor said.

The Chancellor has also revised upwards his forecasts of growth in consumer expenditure, again interpreted by many as implicit criticism of the Bank. Consumer expenditure is now forecast to grow between 3.75 and 4 per cent in 1998 – compared with a growth rate of 4.5 per cent in 1997 – and to slow further to a growth rate of

1.75 per cent and 2.25 per cent in 1999.

In November, the Chancellor said the growth in consumer expenditure this year would lie between 3.5 and 3.75 per cent in 1998, and between 1.5 and 2 per cent in 1999.

One economist commented: "Consumer expenditure is bound to start coming down this year as the economy as a whole slows."

Net trade is expected to continue to make a negative contribution to growth throughout this year as well as in the first half of 1998 due to the appreciation of sterling and the impact of financial turbulence in Asia, the Chancellor said.

The Chancellor has also revised upwards his forecasts of growth in consumer expenditure, again interpreted by many as implicit criticism of the Bank. Consumer expenditure is now forecast to grow between 3.75 and 4 per cent in 1998 – compared with a growth rate of 4.5 per cent in 1997 – and to slow further to a growth rate of

1.75 per cent and 2.25 per cent in 1999.

In November, the Chancellor said the growth in consumer expenditure this year would lie between 3.5 and 3.75 per cent in 1998, and

CORPORATION TAXES

## A crackdown on dodgers but rates are shaved

By Roger Trapp

THE CHANCELLOR yesterday unveiled plans to clamp down on company tax loopholes with a general anti-avoidance rule designed to save £1.5bn over three years. But he sugar-coated the pill by announcing that the main rate of corporation tax will be cut to 30 per cent when advance corporation tax is abolished in April next year.

The move was broadly welcomed. However, there was concern about the latest attack on the ability of businesses to avoid paying taxes.

It is widely expected that the consultation paper on this issue due to be published next month will largely follow a paper published at the end of last year by the Tax Law Review Committee of the Institute for Fiscal Studies. This concluded that, while specific legislation should remain the key weapon, a general anti-avoidance rule could deter avoidance.

However, the tax faculty of the Institute of Chartered Accountants believes the committee has understated the practical difficulties inherent in such a rule and claims it would be no substitute for specifically targeted and clearly expressed anti-avoidance legislation. Moreover, advisers believe that Revenue officials driven by performance measures could be given too much of an upper hand without adequate safeguards.

Meanwhile, papers issued by the Treasury indicate that the crackdown on specific perceived abuses will continue with attacks on banks and financial traders that obtain excessive double taxation relief against UK tax for foreign tax payments, schemes to avoid tax on capital gains by bringing companies with gains into groups with cap-

ital losses and arrangements under which certain small occupational pension schemes avoid tax when they lose approval by transferring their assets to offshore trusts.

Mr Brown claimed that reducing the rates of corporation tax paid by an estimated 400,000 businesses in 30 per cent for large companies and 20 per cent for smaller ones would mean that companies paid £1.5bn less in corporation tax each year - creating an environment that would encourage investment and "contribute to making Britain the best place in the industrialised world in which to invest". The 30 per cent rate is the lowest for any major industrial country and the lowest ever rate in corporation tax in the UK, he added.

David Hands, spokesman for the Federation of Small Businesses, said he found the overall message "very encouraging". Though firms would be concerned about the detailed working of the working family tax credit scheme, they would be pleased by the extension of first-year allowances for expenditure on plant and machinery, which would benefit 90 per cent of businesses.

The organisation also welcomed the simplification of the regulatory burden resulting from the amalgamation of the National Insurance Contributions Agency with the Inland Revenue.

They were pleased by the reduction of the National Insurance payable by the lowly-paid workers they typically employ. However, advisers to high-tech companies were worried about the effect the rise in the rate would have on their clients' costs.

Mr Brown was also praised for creating much sought-after certainty by stating that tax rates for the life of the parliament

would be no higher than those announced yesterday. He also responded to criticisms of the planned quarterly system for paying corporation tax by making medium-sized companies as well as small enterprises exempt from the proposals. Accountants had argued that the detailed procedure for paying by instalments was neither fair nor practicable because it would be based on current-year profit rather than those in previous years.

However, advisers said that, since the threshold for large companies was profits of only £1.5m, the introduction of the quarterly payment system could still cause cashflow problems in the transitional period, and would continue to cause estimation problems in the years ahead. Some argued that companies should be able to reduce payments if they estimate their liability for the current year will be lower.

The Chancellor also sought to demonstrate to business that this government was on their side by measures designed to promote enterprise.

From next year, small companies - those with profits of no more than £300,000 - will be subject to a 20 per cent corporation tax rate, compared with 21 per cent at present and 24 per cent the year before. He said that this was especially significant because such organisations accounted for 85 per cent of tax-paying companies.

In addition, from April of next year the Inland Revenue would be helping small businesses set up payroll systems to ease the burden of taking on their first employees. However, accountants, warned that this might amount to a "back-door" way of ensuring that firms set up their affairs in the way that the Revenue wanted.

Punished by the pound: Chairman Gerry Beedes talking to workers at Davis Derby, an industrial electronics company. Photograph: Raymonds of Derby

### SHOPFLOOR VIEW

## Life gets even tougher for manufacturers

By Terry Macalister

THE HIGH value of the pound has caused huge problems for exporters like Davis Derby, an industrial electronics company which relies upon international markets for 20 per cent of its sales.

But there was little in Chancellor Gordon Brown's Budget yesterday to convince Gerry Beedes, the company's chairman, that things were going to get much better, at least on this score. "Manufacturers are being pushed closer and closer to the edge. I can see that life is going to get tougher," Mr Beedes

said last night after listening to the Chancellor's speech.

Despite his fears on exchange rates, Mr Beedes was pleased at a raft of measures from the Chancellor specifically aimed at small businesses. "I was a bit suspicious whether the Government really was a friend of small businesses like mine. But some of the measures he announced really will make a difference."

The greatest applause came for the Chancellor's decision to cut capital gains tax on the sale of business assets held for over 10 years from 40 per cent to 10 per cent. "This allows us to think long-term and to hang on to a business even when people are banging on the door looking to buy," said Mr Beedes.

He is also pleased about measures to cut small companies' corporation tax from 21p to 20p. But he is worried that a

rather "loose" Budget will lead to higher interest rates and aggravate the problems of a soaring pound.

In the last three years the Derby-based firm has discovered significant export growth out of supplying electronic equipment for forklift trucks.

Manufacturers like Germany's Lansing Linde and Jungheinrich plus Atlet in Sweden have become vital "partners" as Mr Beedes describes them.

But he says domestic competitors in Germany and Sweden are pushing their way back because of the effect of the pound on the UK company's competitiveness.

The forklift truck sector is important for Davis, which was until recently dependent on an underground coal mining industry which has been in deep retreat, at least in Britain.

Davis began life over 200 years ago supplying safety lamps to the UK coalfields. It later went on to develop a range of safety equipment, and was one of the first to see the potential for new products coming from the discovery of electricity.

The company now employs only 120 people but is engaged in more high-tech ventures like the black box performance indicators it builds for the forklift truck manufacturers.

Over the last three years it has become a lead player in the forklift sector although over the last 12 months it has suffered from the pound and uncertainty over Britain's position on EMU. Davis's exposure to South-east Asia is relatively limited but even so it believes the real fallout is yet to be felt.

Mr Beedes and his co-managers, who have built Davis' turnover to £7.5m, all have equity stakes.

The key to the future of smaller companies like Davis is that the Government encourages more indigenous investment in technology and that there is a better return for skills training. The Chancellor's measures announced yesterday should make some difference but past actions have not gone down well.

While the Government's rhetoric suggests it cherishes small and intermediate-sized businesses, actions in the past have not convinced businessmen.

Last night Mr Beedes could see Davis was in for a rough period but there was also a sense of relief. There were also signs that the Chancellor had begun to build some confidence that New Labour meant New Attitude towards entrepreneurs.

### BUSINESS REACTION

## Brown pleases small firms but concerns remain over pound

By Terry Macalister

THERE was a mixed reaction last night from business to Chancellor Gordon Brown's Budget with industry expressing concern that little had been done to counter high interest rates and a soaring pound, but welcoming the wide range of measures to help small firms.

The Confederation of British Industry (CBI) gave a broad welcome saying it was encouraged by the overall fiscal balance and a "prudent" approach to public spending.

Adair Turner, the CBI's director-general said: "We also welcome a range of useful measures for small businesses and a sensible package of reforms designed to improve the operation of the labour market for medium-income earners."

The British Chambers of Commerce (BCC) also was pleased with the raft of measures introduced. "This is a valuable Budget for enterprise and employment. It is both prudent and positive. However, the acid test will be its impact on inflation, interest rates and the strength of sterling," said Dr Ian Peters, deputy director-general of the BCC.

But the Institute of Management said the Budget did not recognise the "two-tone economy" of a flourishing and inflationary services sector and a manufacturing sector in pain.

While corporate tax benefits and simplification of collection would reduce costs, the biggest challenges faced by business at present was high interest rates and skill shortages, said a spokesman. "This Budget has done little to reduce the first and

done nothing to encourage investment in improving the second," he added.

The same message came from the Engineering Employers' Federation, which has expressed deep concern about deteriorating conditions affecting their members.

Graham Mackenzie, the EEF's director-general said: "The key issue for engineering and manufacturing remains the exchange rate. Export order intake has been slackening for over 18 months and the adverse consequences for the engineering sector will mount through 1998."

But the EEF was pleased about the concessions in corporation tax for small companies and the extension of improved capital allowances.

The British Retail Consortium said the Budget would be neutral as whole for the economy, which would be good for its members. It welcomed the assistance to the lower paid and increased flexibility that would be given by changes to the structure of National Insurance.

But Colin Hunt, senior economist from the Bank of England, said the Budget had failed to address "the animal spirit of consumer spending". He predicted it would lead to jittery markets from the Bank of England over interest rates.

Individual companies saw mixed benefits. British Airways

rushed into increases in company car taxation and the taxation of car parking spaces. We are pleased to note the £50 reduction in tax on cars with small capacity engines and that alternative fuel conversion is being incentivised on company cars.

The Chancellor, Gordon Brown, said low inflation and a high investment environment had created a "virtuous circle". The need now was for British business to lift productivity to fully take advantage of this. To help with this a range of incentives were unveiled which he believed would encourage long-term investment.

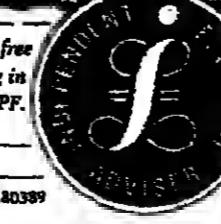
A key element was the abolition from April 1999 of Advanced Corporation Tax. In addition there will be a further 1p cut in the level of Corporation Tax to 30p. This will make it the lowest level of CT in any large European country.

This means an overall reduction of £1.5bn in the amount of CT paid by companies. A lower and fairer tax regime would help British business and make the UK the best place to invest.

Small and medium companies would be even better off. They would no longer have to pay CT by instalments. This would improve cash flow to the tune of £1bn a year, said the Chancellor.

In addition, small companies' rate of tax will be cut in April 1999 from 21p to 20p and it will stay at that rate for the life of the current Parliament.

The Chancellor said he would make it easier to take on new employees with public financial help to set up payroll systems from April 1999.



Please send me my information pack, the names of three local IFAs and a voucher for a free consultation without obligation. I understand that no-one will call me as a result of filling in this coupon. The address is IFAP Limited, 17-19 Emery Road, Bristol BS4 5PP.

Name \_\_\_\_\_

Address \_\_\_\_\_

IN140389

You'd be better off with an IFA

I DON'T WANT TO PAY WHAT THIS SERVICE CHARGES ME

IFAP IS A REGISTERED TRADE MARK OF THE INSTITUTE OF FINANCIAL ADVISORY PROFESSIONALS LTD

جامعة الامارات



## Brown's softly, softly approach appears born of compromise

JEREMY  
WARNER

on a fiscally neutral Budget, neither radical nor prudent in reforming tax and benefits

LET'S start by looking at the way this Budget was billed. Gordon Brown said it was going to be a Budget that modernised the tax and benefit system, a Budget to "advance the ambition of all".

In the City, a fiscally neutral Budget was expected, one that would be much more about micro-economic policy than the wider macro picture. The Chancellor would immerse himself deep in the mysteries of the benefit system but the big numbers would remain largely unchanged.

In a pre-Budget TV discussion, Heritage Secretary Chris Smith said he expected a Budget that was both radical and prudent at the same time: radical in its attempted reform of tax and benefits but prudent in that the Chancellor would not spend money doing it.

And we had all been led to expect a "pro-business" Budget. Who could think anything else from new Labour?

In the end, it was a bit of all

these things, a sort of "in-between" Budget, neither particularly radical nor especially prudent – certainly not prudent enough to take the pressure off interest rates and the strong pound.

There was something faintly unsatisfactory and difficult to follow about it, too. It was as though the whole thing had been born out of compromise, rather than being the truly radical Budget Gordon Brown would want to be remembered by. Was there not more than a hint of Tony Blair's cautious, softly softly approach in this Budget?

Mr Brown could have tightened fiscally and thereby reduced the upward pressure on interest rates. He didn't. It could also have been done in a way that hit the better off disproportionately, but not in a way they could complain about – for example by abolition of Miras and the higher-rate tax relief on pension contributions. But there was none of

that. It was as if Mr Brown was pulling his punches.

The over-riding effect was to confuse. It was hard to tell from what the Chancellor was saying how much he was spending on his social reforms and how much he was raising to fund them.

Nor, in my humble opinion, was it convincing in making us believe it would be significant.

The numbers in the Red Book, adored this year by a picture of happy smiling children, rather confirm this impression. The Budget will be as near as dam if it's fiscally neutral next year, the extra spending on health, education and child support paid for by higher stamp duty and previously announced increases in excise duty on fuel.

Even in later years, where the combined effect of the measures does get into give-away territory, the numbers are still negligible in the scale of things. The costs of the working families tax credit, which at just £1.4bn seems hardly likely to wipe out poverty, is paid for largely by the road fuel escalator. In other words, measures to help the poor are funded by higher petrol costs but there's hardly any great reallocation of wealth going on.

What are the markets to make of it all? The neutral verging on the positive fiscal stance of the Budget means that the Bank of England's Monetary Policy Committee will almost certainly increase interest rates when it next meets. The doves, led by Eddie George, have been waiting only to see if the Chancellor was prepared to suck more money out of the economy. We now have the

answer; he is not. Even Eddie will have turned hawkish overnight on this showing.

If nothing else, Mr Brown has answered a question. The Chancellor's central dilemma was always this: should he tighten fiscally in a way which would choke off buoyant consumer demand and as a consequence reduce the pressure of high interest rates and the strong pound on manufacturing industry? Or should he opt for a fiscally neutral budget and leave it up to the newly independent Bank of England to take care of the business cycle?

Now we know.

Actually, the Chancellor could have gone the other way. The buoyant state of the public finances also gave scope to spend more, tax less and still stay within guidelines. The Chancellor would like everyone to believe there is virtually no room for manoeuvre but, actually, there's plenty. Mr Brown has resisted the temptation and, as a consequence,

get notwithstanding the strong pound and, in some sectors, wage inflation is rampant.

On the other hand, the economy is slowing, manufacturing is close to recession, the public finances are in tip-top shape, and the Asian crisis is depressing world growth.

To tighten fiscal policy in order to ease the pressure of interest rates and the strong pound, would have risked plunging the economy into recession. If, on the other hand, the Chancellor had eased his fiscal stance, the Bank of England might have been even more persuaded of the need for more rises in interest rates and there would have been no prospect of a let up for manufacturers.

So from the point of view of macro-economic policy, Mr Brown is probably wise in being neither one thing or the other. Unfortunately, he may have missed his place in history as a radical reforming Chancellor in the process.

CHILD  
BENEFITMarried  
couples  
will pay  
for rise

## CITY REACTION

Soaring shares  
leave traders  
fearful on ratesBy Peter Koenig  
and Derek Pain

SHARES soared to record highs yesterday as the Chancellor presented his Budget despite warnings from the City the prospect of higher interest rates had increased as a result.

Although they may drift lower today, many stock market experts are convinced that equities still retain their long-term attractions. Forecasts that the FTSE-100, which closed last night at a record 5,834.9 points, could reach 6,600 by the year end remained intact.

Observed one strategist: "Shares have had such a good run ahead of the Budget and may drift lower today. I think the performance of Wall Street overnight could have a much greater impact on today's proceedings than Mr Brown's measures".

But analysts expressed strong disappointment at the Chancellor's economic strategy in the Budget yesterday.

"I thought the Government was a bit too generous," said Joanne Collins, senior market strategist at Nomura International. "Overall, the Chancellor tightened. But a lot of the money coming into the Treasury will now go right back out again."

Listening to the Chancellor's "Budget of a generation" to gauge its effect on sterling, Andrew Roberts, a fixed income strategist at UBS, said: "The Chancellor was passed the ball when last week the Bank of England did not raise interest rates. Now he's passed the ball back to the Bank of England."

Mr Roberts detected a "whiff of expansiveness" in the Budget, despite Mr Brown's claims to be tough with public money. He noted that the market's instantaneous reaction to the Budget was a re-pricing of short-term sterling future contracts indicating that currency traders expect that both UK interest rates and the pound will rise over the next several weeks.

Nomura's Mr Collins raised the ghost of old Labour even more succinctly. "The Chancellor did not address the problem of excessive consumption," she said.

The City paid grudging respect to Mr Brown for a moderate

tightening of the national books overall. "Last November he said the deficit this year was going to be £4.5bn. Now he's brought it down to £4.0bn," Collins said.

A rump in the City even gave Brown a cautious thumbs up.

"The City's initial reaction to the budget is disappointing and the City's initial reaction is wrong," said Barclays Capital global strategist Michael Hughes.

Noting that rates fell by five basis points [five one-hundredths of a percentage point] against German government bonds in the 15 minutes following the Chancellor's speech, Mr Hughes suggested traders might come to a different conclusion this week. "What the City hasn't digested is

that the Budget appears to have done nothing to reduce London's attractions to overseas investors.

Mr Brown's measures were seen as "slightly pro-equities" although sustained weakness in the gilt market and higher interest rates could be restraining influences. Many felt the absence of any measures to reduce consumer spending could prompt higher rates.

Bob Semple, strategist at NatWest Securities, said: "The measures underpin the long term attractions of equities".

Transport shares rose in late trading in response to the help offered to bus operators, beer and tobacco shares had largely discounted the excise duty increases but might still suffer knee jerk reactions today.

House building shares are expected to benefit from the decision not to change mortgage tax relief.

The moves over savings were welcomed and would head off any catered dribble of small selling orders.

Focusing on what Mr Brown did not do rather than what he did focus on the microeconomics of welfare reform – City executives said there was little in the budget to affect their businesses one way or the other in the medium term. "What will the Budget's effect on investment trusts be? Nil," said Michael Wrobel, head of investment trusts at fund manager Garfarrow.

Instead, several analysts raised the suspicion that, despite all the talk about fiscal toughness, Mr Brown's first fully fledged budget was worryingly soft. "Brown could have skinned the froth off the economy," UBS's Roberts said. "He could, for example, have done away with mortgage relief. But he didn't."

Mr Manning said that there was little in Brown's budget to deter international investors from buying UK service sector stocks. "It's the international investors who have been driving the market

## During Brown's term as Chancellor

base rates are up but long-term rates down

gilts have fallen...

...while equities soared

FTSE 100 share price index

UK clearing banks base rate

10-year gilt yield



Budget watch: A trader at Deutsche Morgan Grenfell in London giving Gordon Brown her full attention yesterday

Photograph: Andrew Buurman

## SMALL BUSINESSES

## Boost for investment in new companies

By Barrie Clement  
Labour Editor

THE CHANCELLOR sought to encourage investment in small and new businesses particularly in the hi-tech sector.

As part of Mr Brown's package to stimulate innovation, he will create a £50m "university challenge fund" aimed at promoting commercial research at universities. He also promised to reduce the cost of taking on new employees and cut back on red tape.

The Chancellor announced that the Enterprise Investment Scheme (EIS) and capital gains reinvestment relief are to be "ratified" into a unified system to encourage investment in new shares.

The initiative will abolish the £1m limit on the amount of money that can be raised every

year. Participation will be limited to companies with gross assets of less than £10m before an investment and no more than £1.1m after it.

There would also be benefits for investors in new companies. As part of the new measures there will be an increase by half to £150,000 a year in the amount an individual can invest in eligible shares with the benefit of income tax relief and exemption from capital gains tax on gains made after five years.

There will be measures to "sharpen the focus" of the schemes and ensure that the funds they raise are used to benefit ventures which carry an appropriate degree of risk and help investors who share the risk.

Ken Aitken, head of tax in Scotland for the accountants Kinsons Impey, pointed out that there was a low take-up of

the existing EIS scheme because it was aimed at encouraging investment in high-risk businesses. Perversely the Chancellor had removed asset-backed companies from qualifying activities on the face of it made investment even more difficult, said Mr Aitken.

He said that the Chancellor clearly hoped to counteract this by merging EIS with reinvestment relief. This should attract a wider range of investors with more to spend, Mr Aitken said.

Referring to his university fund to promote practical scientific and technological development, Mr Brown said that it was time to end the process by which British developments went on to become successful products produced by companies abroad.

Mr Brown said the fund would "invest today in the innovative businesses that will create wealth and jobs tomorrow".

Geoffrey Robinson, Paymaster General urged universities to take up the

challenge: "This country's science base is world class. By unlocking the potential of university research, Britain will reap the benefit through jobs and growth."

University chiefs, academics and union leaders welcomed the initiative, but warned that considerably more would have to be invested in order to protect the country's science base.

Diana Warwick, chief executive of the Committee of Vice-Chancellors and Principals said colleges stood ready to play their part in the fund. "But it is essential that the Government's comprehensive spending review delivers necessary public investment to maintain basic research equipment which underpins innovative research in universities."

John Mulvey, director of the Save British Science Society, welcomed the venture capital fund but said the Government should be aware that university research laboratories needed £500m to bring them into line with international competition.

"This is a step in the right direction, but there isn't a lot of point providing venture capital if the university laboratories become so run down and seedy that no one wants to develop anything in them," Dr Mulvey said.

A new Inland Revenue and Contributions Agency is to be established to provide one-to-one help for new employers attempting to understand the intricacies of the taxation system.

The Treasury believes the service will reduce one of the main barriers to establishing and running a business, making it easier and cheaper for small businesses to take on their first employee.

The impact

p20

## During Brown's term as Chancellor

base rates are up but long-term rates down

gilts have fallen...

...while equities soared

FTSE 100 share price index

UK clearing banks base rate

10-year gilt yield

